

usical Surprises

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TODAY: MONEY  
Philosophy Page 15



TV crews lighting up along the West Wing driveway as the media zoomed in on the White House this week.

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William Ginsburg on TV Friday.

• Vernon Jordan Jr., who has been a constant, though largely invisible, presence in President Clinton's camp through nearly every crisis, has now come again to the aid of his friend.

• The allegations surrounding the president and Monica Lewinsky raise numerous legal questions, including the main one of whether the chief executive can be indicted.

• Even some of those observers most skeptical about the 1978 law that established independent counsels said that Kenneth Starr seemed on firm legal ground when he sought and received judicial permission to expand his inquiry into the Lewinsky episode.



Vernon Jordan giving his side.

## Aides Rally Around Clinton Amid a Flurry of Subpoenas

### Advisers Split on Tactics

By John F. Harris  
Washington Post Service

WASHINGTON — A tense and occasionally heated debate is under way between President Bill Clinton's political advisers and his legal team about how he should answer allegations that he had a sexual relationship with Monica Lewinsky and encouraged her to lie about it, according to sources inside and outside the White House with knowledge of the deliberations.

Even as Mr. Clinton pledged Thursday to give the public "as many answers as we can, as soon as we can" about the nature of his relationship with the 24-year-old former White House intern, Mr. Clinton's lawyers imposed a tight clamp on information.

And his advisers clashed over how soon and in what forum the president should expand on the clipped and legalistic statements he gave when the controversy first exploded into public view Wednesday.

The White House political team is increasingly fearful that Mr. Clinton's presidency is imperiled by the controversy unless he quickly rebuts the allegations with more force and thoroughness.

One White House source said Friday that it appeared likely that Mr. Clinton would not be ready for a major public appearance to explain his side of the story before the president delivers his State of the Union Message to Congress on Tuesday but that the possibility remained under active discussion.

Mr. Clinton would like to address the allegations before Tuesday, said the presidential spokesman, Michael McCurry. "But whether we can or not we don't know," he said. "We've got to assemble every answer to every question that you are all going to pounce on very quickly to ask."

The president was meeting with his cabinet on Friday to discuss the State of the Union speech and Mr. McCurry said Mr. Clinton probably would speak to them about the accusations. Although political advisers want the president to

### Albright Speaks Out

By Brian Knowlton  
International Herald Tribune

WASHINGTON — As Clinton administration officials sought to assure a concerned nation that they were tending to business, the former White House intern at the center of a burgeoning scandal remained in seclusion on Friday, and her attorney accused federal investigators of unfairly putting pressure on her to cooperate.

The attorney, William Ginsburg, who represents Monica Lewinsky, the 24-year-old who reportedly had an 18-month affair with President Bill Clinton, said that investigators and FBI agents had earlier questioned his client for eight hours without a lawyer present. That, he said, is "as close as you can get to a constitutional breach."

He also said the agents had threatened to involve her parents in their inquiry if she refused to cooperate.

She spoke after a federal judge indefinitely postponed a deposition by Ms. Lewinsky in the Paula Jones sexual harassment suit against Mr. Clinton. Some reports said the delay was granted because Ms. Lewinsky's lawyers were seeking to arrange immunity from prosecution.

Federal prosecutors expanded their subpoenas Friday, seeking more information from the White House about possible visits or calls involving the young woman.

Subpoenas were also issued to the U.S. mission to the United Nations on documents concerning Ms. Lewinsky.

The mission reported Wednesday that Bill Richardson, the chief U.S. representative to the United Nations, interviewed her in October and offered her a junior post in public affairs.

As part of the newly enlarged Whitewater investigation, prosecutors are seeking to determine whether she, Mr. Clinton and the lobbyist Vernon Jordan Jr., a close friend of the president's, conspired to cover up the alleged affair.

Mr. Clinton has denied having a sexual relationship with the young woman, and he and Mr. Jordan have denied that they asked her to lie under oath. In a show of support that

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## Botha, Defiant As Ever, Warns Of Wrath of the White Minority

By Lynne Duke  
Washington Post Service

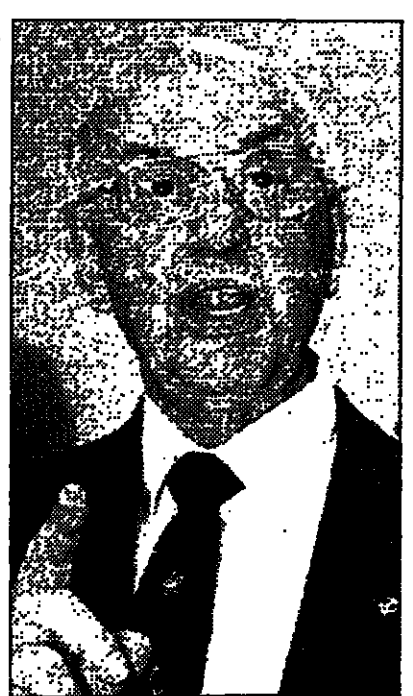
GEORGE, South Africa — On the opening day of his unprecedented criminal case for defying the nation's Truth Commission, former President Pieter W. Botha spat fire and brimstone reminiscent of his leadership of the old apartheid state, warning that the wrath of the "tiger" within the white minority was being awakened.

Striking the racially moralistic tone that is his trademark, Mr. Botha stood before the press and enveloped himself in the discredited philosophies of apartheid, the doctrine of racial separation that was dismantled when his successor, Frederik W. de Klerk, allowed the nation's first all-race election in 1994.

"I'm not prepared to apologize," for the policies he pursued to preserve the white nation, said Mr. Botha, 82. "I only apologize for my sins before God."

He warned of the "forces of chaos, communism and socialism" — his government's characterization of the black liberation "onslaught."

Referring to the crime and misman-



A vociferous Mr. Botha on Friday.

agement that have plagued the new democracy since apartheid ended in 1994, Mr. Botha said: "I'm still concerned about the onslaught. What I prophesied came true."

Mr. Botha's remarks came after the close of a brief pretrial court appearance that marked the start of the first prosecution of an apartheid-era South African president. Mr. Botha, who erected all manner of bureaucratic and security

See BOTHA, Page 4

## Inspector Sounds Alarm Over Iraqi Stonewalling

By Christopher S. Wren  
New York Times Service

UNITED NATIONS, New York — The United Nations' chief weapons inspector warned the Security Council on Friday that Iraq appeared determined to withhold further information about the suspected existence of weapons of mass destruction and has tried to prevent UN inspectors from discovering the truth at sensitive sites that Saddam Hussein's regime has put off-limits.

Richard Butler, chairman of the UN Special Commission, said that if Iraq was permitted to continue obstructing his inspectors, he had grave doubts they could ever verify that Iraq has fulfilled its obligation to disarm. The commission

has a mandate from the Security Council to search out and destroy or dismantle all long-range ballistic missiles, biological, chemical and nuclear weapons, and the means to manufacture them.

A senior UN official said Friday that he had "tantalizing information" that Iraq was now operating a secret biological weapons plant, Reuters reported from Washington.

Asked whether he believed Baghdad had a working plant it was keeping secret from arms inspectors, Richard Butler, head of the UN Special Commission's biological weapons team, said, "This is very likely."

He declined to give further details.

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Richard Butler before briefing Secretary-General Kofi Annan on Friday.

## Indonesia Staring Down the Abyss of Insolvency

Compiled by Our Staff From Dispatches

JAKARTA — Indonesia was pushed closer to the brink of insolvency on Friday as several international banks froze lending to the country — sending the rupiah plunging — despite the government's presentation of a revised budget plan that had been intended to reassure investors and the International Monetary Fund.

The government of President Suharto remained paralyzed over the country's deepening debt crisis as the rupiah plummeted as much as 20 percent at one point, to 15,250 to the dollar, making it virtually certain Indonesian companies will not be able to service their \$65 billion in foreign debt. The rupiah closed Friday

in Jakarta at 13,500 to the dollar. Offshore banks in Singapore and Hong Kong, fearful that Indonesia's banking system will collapse under the weight of staggering debts, are choking off the supply of U.S. dollars to the country, bankers and analysts said Friday. (Page 9)

"It's all like a pack of cards: We are not supplying liquidity because we don't know how sound our counterparties are," said Andrew Fung, regional treasury economist at Standard Chartered in Singapore. "We can't provide quotes if we can't determine the exchange rate, and we can't determine the exchange rate, which is dependent on the debt."

The country's revised budget would

cut fuel subsidies and uphold IMF-backed estimates of zero economic growth and 20 percent inflation in a revised budget for the year to March 31, 1999.

But the markets were unimpressed by the budget presented Friday by Finance Minister Mar'ie Mohammad in a speech to Parliament.

Mr. Mar'ie put the budget at 147.22 trillion rupiah, 46 percent higher than the previous year, and assumed an average exchange rate of 5,000 rupiah per dollar.

At the assumed rate, the outlay would be equivalent to \$29.44 billion.

The plunge in the rupiah has sent food prices soaring, driving people to hoard such staples as rice and sugar.

The government's estimate that inflation will quicken to 20 percent this year from 6.6 percent in 1996 is raising the specter of social unrest in the world's fourth-most-populous country, with 200 million people living on about 17,000 islands strung across the equator.

The rupiah's most recent decline was sparked by Mr. Suharto's announcement this week that he would accept the nomination for a seventh term in office. The 76-year-old Mr. Suharto, who has ruled Indonesia for 32 years, is Asia's longest sitting leader.

He also hinted that his protégé,

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## Pope Assails U.S. Embargo As Harmful to Cuban Poor

But He Says Sanctions Don't Explain All Woes

Compiled by Our Staff From Dispatches

CAMAGUEY, Cuba — Pope John Paul II criticized the U.S. economic embargo against the Castro government on Friday, saying that such sanctions were "always deplorable because they hurt the most needy," but he also cautioned the Cuban people against using the embargo as an excuse for all their woes.

As the Pope continued a trip that gives encouragement of change to both friends and foes of the Castro government, the Vatican announced that Cuban officials had agreed to consider freeing some prisoners who had sought the Pope's intercession.

Tens of thousands of flag-waving Cubans welcomed the Pope in a broad, palm tree-lined plaza in Camaguey,

where he said the second Mass of his visit. To the right of the altar stage was a bas-relief featuring images of Fidel Castro, Ernesto (Che) Guevara and other heroes of the 1959 revolution that swept the Communists into power.

The Pope is also scheduled to celebrate outdoor Masses in Santiago de Cuba on Saturday and in Havana on Sunday.

The reference to the embargo was made in a written message delivered to a delegation of young Roman Catholics at the Mass in Camaguey. John Paul, 77, did not read it aloud.

The papal spokesman, Joaquin Navarro-Valls, said the Pope would be more outspoken regarding the embargo in speeches in the coming days.

The Pope has long opposed all economic embargoes and has previously criticized the 35-year-old U.S. measure against Havana, aimed at forcing political change in the Communist-ruled island 145 kilometers (90 miles) from Florida.

In the message and in his spoken homily, also directed at the country's youth, the Pope urged Cubans suffering under a prolonged economic crisis to turn to faith and not give in to hopelessness or the lure of money, drugs and sex.

"What can I say to you, young people of Cuba who live under material con-

Newsstand Prices

Andorra.....	10.00 FF	Lebanon.....	11.3.000
Antilles.....	12.50 FF	Morocco.....	16 Dh
Cameron.....	1.800 CFA	Qatar.....	10.00 QR
Egypt.....	52.5.50	Réunion.....	12.50 FF
France.....	10.00 FF	Saudi Arabia.....	10 SR
Gabon.....	1.100 CFA	Senegal.....	1.100 CFA
Italy.....	2.800 Lire	Spain.....	225 Ptas
Ivory Coast.....	1.250 CFA	Tunisia.....	1.250 Din
Jordan.....	1.250 JD	U.A.E.....	10.00 Dh
Kuwait.....	700 Fils	U.S. Mil. (Eur.)	\$1.20

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## AGENDA

### Pakistani Sentenced To Die for CIA Killings

FAIRFAX, Virginia — A judge sentenced Mir Aimal Kasi, a Pakistani citizen, to death Friday for killing two Central Intelligence Agency employees outside CIA headquarters near Washington in January 1993. Circuit Court Judge J. Howe Brown said he accepted a jury's Nov. 14 recommendation that Mr. Kasi be executed.



'PEANUTS' — That's what Yasser Arafat, speaking to reporters Friday in Washington, called an Israeli pullout offer. Page 3.

The Dollar

	Friday 4 P.M.	previous close
New York	1.6725	1.6045
DM	1.7783	1.6495
Pound	1.25.65	127.235
Yen	8.9535	6.045

The Dow

	Friday close	previous close
-29.89	7700.99	7730.88

S&P 500

	Friday 4 P.M.	previous close
change	957.59	963.04

## Huddled Masses Welcome, But Not if They Look Poor

Tourists Illegally Kept Out of U.S., Judge Rules

By Philip Shenon  
New York Times Service

WASHINGTON — Jose Bayeux, a 24-year-old technician in Brazil, said he wanted to travel to Miami and Disney World for a vacation in 1994. He applied for a tourist visa at the U.S. Consulate in Sao Paulo, Brazil's largest city.

"Slimy looking," an American diplomat wrote on the visa form, denying Mr. Bayeux's application. "Wears jacket on shoulders wearing."

Elaine Archans, 23, a Brazilian office worker who said she wanted to visit the United States to see the World Cup soccer championships in 1994, fared no better.

"LP!!!!" a diplomat wrote on her application, using the consulate's abbreviation for "looks poor." Other applicants who were denied visas were routinely labeled as "TP" (talks poor) or "LR" (looks rough).

The visa denials of hundreds of Brazilians from 1992 to 1994 are at the heart of a court battle here that has left a federal judge questioning whether the

State Department is illegally refusing to issue visas to foreigners solely because of their skin color, their ethnic background, or the way they look — down to the clothes and jewelry they wear.

The judge, Stanley Sporkin of U.S. District Court in Washington, said in a decision last month that the visa policies in Sao Paulo were clearly illegal, a ruling that could have far broader implications for the State Department since similar policies are in effect at American visa offices around the world.

The ruling was a victory for a former diplomat in the consulate, Robert Olsen, who was dismissed by the State Department in 1993 on charges he had failed to carry out his duties as a visa officer.

The visa policies "instruct visa officials to rely heavily upon factors such as physical appearance and national origin when adjudicating the applications," Judge Sporkin wrote. "The principle that government must not discriminate against particular individuals

See VISAS, Page 4



## Greeks in Turkey: Fears Are Rising

Assaults on Eastern Orthodox Sites And Reaction of Police Stir Doubts

By Stephen Kinzer  
New York Times Service

ISTANBUL — An arson attack and a killing at a holy Eastern Orthodox site in Istanbul, the second violent assault here in two months, have led senior Orthodox figures to question Turkey's commitment to protect their church.

The government has rejected all such doubts and asserted that the police are doing their best to arrest those who carry out anti-Orthodox attacks.

Only a few thousand Orthodox faithful remain in Turkey, which is predominantly Muslim though secular. But Istanbul is the seat of the Patriarchate that oversees Orthodox churches worldwide, so the position of Orthodoxy here is especially sensitive.

The debate is further tinged by the fact that many Turks equate the Orthodox faith with Greece, Turkey's main European rival, and are suspicious of Orthodox activities.

Arguments over whether Turkey adequately protects the Orthodox church have taken on a new intensity since an arson attack Jan. 12 on the shrine of St. Therapion, which houses a holy spring near the Hagia Sophia, once the mother church of Orthodoxy, later a mosque, now a museum.

After the fire was put out, Orthodox clergymen entered the shrine and concluded that eight icons, a holy book and a cross were missing.

After a search, the custodian's badly bruised body was found in the shrine's well.

At a police inquest, one witness suggested that the victim, Vasilios Haviropoulos, had hidden himself in the well and drowned.

But his son, an Orthodox priest, said the body was found with hands and feet bound, and he rejected police statements that no Muslim could have committed such an act, and that it must have been done by a Greek.

In a statement, the Orthodox Patriarchate said it was "grieving, shocked and anxious at this crime."

It predicted that the attack "will result in the further departure of our people and will weaken this sacred institution of the Ecumenical Patriarchate, the rampart of Orthodoxy

and our pious faithful."

The Greek Orthodox Archdiocese of America issued a statement in New York saying, "Americans of Orthodox background expect that their fellow Christians will be protected in accordance with established international standards of law and order."

The police commander in charge of the case, Mustafa Saglam, said Thursday that he had assigned eight detectives to work full time on the investigation. He said he was pursuing it "five times more meticulously because of its international angle."

But such assurances have not calmed all fears here.

The Greek Ambassador to Turkey, Dimitrios Nezeritis, said: "If there are efforts, they are not sufficient. I have seen no arrests, not this time and not in the past."

This last murder was a savage one. You could argue that a thief would very easily take whatever he wanted from a 78-year-old man or whatever he was, and immobilize him. But the fact that he was brutally murdered seems to indicate to me that someone enjoyed killing him."

A spokesman for the Patriarchate, asked whether the authorities were doing all they could to protect Orthodox sites and arrest perpetrators of anti-Orthodox crimes, replied: "There are some people who care deeply and are doing what they can. But there are also large segments that could and should do a lot more."

The Foreign Ministry issued a statement conceding that a killing had been committed during the arson but rejecting assertions that security was lax or that police efforts to solve the crime were less than diligent.

The attack last week followed another assault aimed at the Orthodox community: On Dec. 2, just days after Patriarch Bartholomew returned from a trip to the United States, a bomb was thrown at the Patriarchate buildings. A deacon was seriously hurt, masonry was destroyed and windows were blown out. No one has been arrested, but city officials have instructed the police to build a watchtower to allow 24-hour surveillance of the area.



Anatoli Kornukov, who ordered the downing of the KAL flight in 1983.

## Russian Who Doomed 007

New Air Chief Ordered '83 Downing of KAL Flight

The Associated Press

MOSCOW — The Russian Air Force acknowledged Friday that its new chief was the commander who ordered a pilot to shoot down a South Korean jetliner off Sakhalin Island in 1983, killing all 269 people aboard.

The destruction of KAL Flight 007 plunged U.S.-Soviet relations to a new low. The Soviet government claimed the civilian jet was on a spying mission and was being "used by American special services for their dirty aims."

At the time of the downing, General Anatoli Kornukov, who was appointed on Tuesday by President Boris Yeltsin as air force chief, was commander of air defenses on Sakhalin Island, which lies just north of Japan and was the site of a top-secret Soviet defense installation.

On Sept. 1, 1983, Soviet pilots spotted a KAL Boeing 747 that had strayed off course

on a route from Alaska to Seoul. The Soviets suspected the jet of spying on Sakhalin.

After a pilot fired warning shots that failed to change the airliner's course, General Kornukov ordered him to shoot down the plane, Alexander Drobyshevsky, a Russian Air Force spokesman, confirmed in a telephone interview Friday.

The pilot, Gennadi Osipovich, has previously acknowledged his involvement. He recently said 1996, he insisted that he still believed the plane was on a spy mission.

The KAL shooting was not the only controversial incident in General Kornukov's career. In 1976, a pilot serving under his command defected to Japan in his MIG-25 — the most advanced Soviet fighter jet of the time — in a windfall for the West, which was able to learn some of the Soviets' most coveted military secrets. The incident cost many military officials their jobs, but General Kornukov retained his post.

## Police in Belgium Mount a Major Bank Security Operation

Reuters

BRUSSELS — Several hundred heavily armed Belgian policemen backed by helicopters mounted a major operation on Friday to ship cash that has piled up at supermarkets around the country to central bank collection points.

The money transfers, ordered by Interior Minister Johan Vande Lanotte, were needed after security van crews went on indefinite strike early this week because of the shooting deaths of three colleagues in robberies since late December.

Automated teller machines were running dry, and supermarket operators had become increasingly

concerned that violent, well-armed bandits might turn their attention from security vans to the much softer targets of store safes.

RTBF television showed policemen in body armor and wielding automatic weapons pouring from vehicles on Friday and standing guard over their colleagues as they trundled shopping trolley loads of cash to waiting vans and then roared off.

In several instances, the police used helicopters to transfer the cash from supermarkets to bank depositories.

The government, bankers, security van operators and security

guards' unions have been locked in negotiations for the past two weeks after a particularly murderous dawn attack on a Brinks Ziegler van resulted in the deaths of the driver and one of the two guards.

The police said more than 80 shots, including armor piercing rounds, had been fired into the van at point blank range by a gang armed with Kalashnikov automatic rifles. The gang fled empty-handed, scattering commando tanks along the highway behind them to foil pursuit.

The attack followed a similar raid in December in which another Brinks Ziegler security guard was

shot and killed. Earlier this week, the government and bank-payment systems operators agreed to cut the charge for using a bank card to make purchases in an attempt to persuade people to switch to plastic from cash and to reduce the amount of currency in circulation.

But some commentators said that the reduction to one Belgian franc (2 U.S. cents) per transaction from five francs would have a negligible impact.

After a series of about 40 such armed attacks in 1996, nighttime security van operations were suspended and police cars escort many

van journeys. The police stepped up surveillance of security van traffic late last year after a series of thefts of equipment that led them to believe that more attacks were being prepared.

Security guards are seeking extra pay for hazardous duty, better armored vans and special security containers for the money. They also want a third, armed guard to accompany all trips and more police protection.

But the police contend that with about 3,500 pack-up or drop points being serviced daily, they do not have the resources to provide cover for every van.

### BRIEFLY

#### Baltic Meeting on Cooperation

RIGA, Latvia — Prime Minister Viktor Chernomyrdin of Russia and Chancellor Helmut Kohl of Germany met Friday with heads of other Baltic Sea states to discuss closer cooperation, crime-fighting and European Union enlargement.

"Baltic cooperation is a major independent part of the work on the creation of a new democratic, stable and truly united Europe without divisions or exemptions," Mr. Chernomyrdin said at the second Council of the Baltic Sea States.

Prominent among the economic matters discussed was the idea of linking the gas and electricity systems of the eastern and western Baltic shores. "Both in the field of pipelines and electricity grids a number of projects are being discussed that would contribute to link the countries concerned," Prime Minister Kleij Mague Bondevik of Norway said.

The president of the European Commission, Jacques Santer, attended the meeting. Mr. Santer said he backed the organization's aims. (Reuters)

#### Attacks Rose in Germany in '97

BERLIN — Attacks by rightist extremists rose 10 percent in 1997 — the first increase in five years, the head of the

Office for the Protection of the Constitution said Friday. Peter Frisch, the president of the federal office, blamed unemployment — which he said had created despondency among young Germans — and a lack of awareness among youths about the Nazi era.

"We often see insecurity in the perpetrators, who are mostly very young, under 21 years old," he said in an interview with a Cologne newspaper.

The number of right-wing attacks in Germany rose significantly after unification in 1990, peaking at 2,639 in 1992. In 1996, Frisch's office recorded 781 attacks.

Far-right violence last year rose most sharply in Eastern Germany, Mr. Frisch said. He did not give figures. (AP)

#### A Standoff on Russia's Anthem

MOSCOW — The Communist-dominated Russian Parliament failed to adopt a measure Friday that would have reinstated the Soviet-era national anthem.

The State Duma, or lower house, voted 773 to 75 in favor of the bill, 27 votes short of the two-thirds majority needed. The measure was presented as an alternative to a bill backed by President Boris Yeltsin that would have formally approved the national symbols currently in use — the red, white and blue tricolor flag and the double-headed eagle —

and the anthem composed by Mikhail Glinka. That bill was overwhelmingly defeated. (AP)

#### Ciller's Spouse Denies Charges

ANKARA — The husband of former Prime Minister Tansu Ciller appeared in court on fraud charges Friday and denied falsifying documents given to a parliamentary corruption probe.

Ozer Ciller, a businessman, is accused of supplying a misleading document about a U.S. subsidiary of a company owned by the Cillers. If convicted, he could be sentenced to up to eight and one-half years in prison.

A prosecution witness said the parliamentary commission had suspected that the subsidiary might have been used as a front to illegally transfer money from Turkey to the United States.

The subsidiary "wasn't making any money, so we wondered if there was money laundering going on," said the witness, Sahri Ergun, a former member of the commission.

Mr. Ciller testified that he had not seen a final Turkish-language version of the document, which omitted two sections of the original English-language copy.

"I did not see the translation and wasn't aware of anything missing," he said. (Reuters)

## Group Tied to 3 Killings Says Ulster Attacks End

Reuters

BELFAST — A pro-British Protestant guerrilla group said Friday that attacks on Roman Catholics, which have fueled a crisis in Northern Ireland's peace efforts, had ended.

The Ulster Freedom Fighters, in a statement faxed to news media, did not admit to the murders of the Catholics, but it said that "republican aggression" had made what it termed "a measured military response" unavoidable.

"That action has now concluded," the statement said.

"The UFF recognizes the importance of ending the current crisis and is prepared to fulfill its responsibilities."

Only hours after the statement, a man was shot and wounded in north Belfast near the mainly Catholic Ardoyne district. The police were unable to give any more details of the attack.

The province's police chief, Ronnie Flanagan, on Thursday blamed the outlawed Ul-

ster Freedom Fighters for murdering three Catholic nationalists in recent weeks despite the group's claims that it was observing a truce.

Eight Catholics have been killed by Protestant "loyalist" hard-liners, and two Protestants have been killed by Catholic extremists in a spate of revenge attacks since Christmas.

The Irish Republican Army, the main republican group, has observed a ceasefire since July.

Protestants were suspected of having shot and seriously wounded another Catholic man in north Belfast on Thursday night. The police said the shooting appeared to be related to the revenge attacks.

Chief Flanagan's allegations prompted calls from several politicians in mainstream parties for the Ulster Freedom Fighters' political arm, the Ulster Democratic Party, to be thrown out of

multi-party peace talks under way in Belfast.

The IRA's political arm, Sinn Féin, is among the eight parties in the peace negotiations, along with ministers from the British and Irish governments.

Earlier Friday, the police probing the upsurge in loyalist violence arrested nine people in two raids in Belfast related to the violence.

### TRAVEL UPDATE

#### U.S. Revises Consular Fees

LONDON (IHT) — The United States will give a break Feb. 1 to passport seekers but increase fees for most other consular services.

Passport fees will be decreased. But visitors applying for a nonimmigrant visa will have to pay \$45, up from \$20. The fee to report the birth abroad of a U.S. citizen will go up to \$40, from \$10, and the fee for notary services will rise to \$55 from \$10. The changes are designed to reflect the actual cost of services.

#### Paris Transit Strike Is Set

PARIS (Reuters) — A powerful union of transport workers in the Paris area said Friday that it had called members to join a partial strike Wednesday to press demands for more staff.

The call by the RATP section of the Communist-led CGT trade union will affect buses, the Metro subway system and the suburban RER mass transit system, which together carry 9 million passengers a day.

### WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe	Today	Low	High	Low	High
Algeria	64-72	64	72	64	72
Andorra	64-72	64	72	64	72
Austria	64-72	64	72	64	72
Belgium	64-72	64	72	64	72
Bulgaria	64-72	64	72	64	72
Croatia	64-72	64	72	64	72
Czech Rep.	64-72	64	72	64	72
Denmark	64-72	64	72	64	72
Finland	64-72	64	72	64	72
France	64-72	64	72	64	72
Germany	64-72	64	72	64	72
Greece	64-72	64	72	64	72
Hungary	64-72	64	72	64	72
Ireland	64-72	64	72	64	72
Italy	64-72	64	72	64	72
Japan	64-72	64	72	64	72
Latvia	64-72	64	72	64	72
Lithuania	64-72	64	72	64	72
Malta	64-72	64	72	64	72
Netherlands	64-72	64	72	64	72
Norway	64-72	64	72	64	72
Poland	64-72	64	72	64	72
Portugal	64-72	64	72	64	72
Romania	64-72	64	72	64	72
Russia	64-72	64	72	64	72
Slovakia	64-72	64	72	64	72
Slovenia	64-72	64	72	64	72
Spain	64-72	64	72	64	72
Sweden	64-72	64	72	64	72
Switzerland	64-72	64	72	64	72
Turkey	64-72	64	72	64	72
Ukraine	64-72	64	72	64	72
United Kingdom	64-72	64	72	64	72
USA	64-72	64	72	64	72

North America	Today	Low	High	Low	High
Alaska	64-72	64	72	64	72
Arizona	64-72	64	72	64	72
Arkansas	64-72	64	72	64	72
California	64-72	64	72	64	72
Colorado	64-72	64	72	64	72
Connecticut	64-72	64	72	64	72
Delaware	64-72	64	72	64	72
District of Columbia	64-72	64	72	64	72
Florida	64-72	64	72	64	72
Georgia	64-72	64	72	64	72
Hawaii	64-72	64	72	64	72
Idaho	64-72	64	72	64	72
Illinois	64-72	64	72	64	72
Indiana	64-72	64	72	64	72
Iowa	64-72	64	72	64	72
Kansas	64-72	64	72	64	72
Kentucky	64-72	64	72	64	72
Louisiana	64-72	64	72	64	72
Maine	64-72	64	72	64	72
Maryland	64-72	64	72	64	72
Massachusetts	64-72	64	72	64	72
Michigan	64-72	64	72	64	72
Minnesota	64-72	64	72	64	72
Mississippi	64-72	64	72	64	72
Missouri	64-72	64	72	64	72
Montana	64-72	64	72	64	72
Nebraska	64-72	64	72	64	72
Nevada	64-72	64	72	64	72
New Hampshire	64-72	64	72	64	72
New Jersey	64-72	64	72	64	72
New Mexico	64-72	64	72	64	72
New York	64-72	64	72	64	72
North Carolina	64-72	64	72	64	72
North Dakota	64-72	64	72	64	72
Ohio	64-72	64	72	64	72
Oklahoma	64-72	64	72	64	72
Oregon	64-72	64	72	64	72
Pennsylvania	64-72	64	72	64	72
Rhode Island	64-72	64	72	64	72
South Carolina	64-72	64	72	64	72
South Dakota	64-72	64	72	64	72
Tennessee	64-72	64	72	64	72
Texas	64-72	64	72	64	72
Utah	64-72	64	72	64	72
Vermont	64-72	64	72	64	72
Virginia	64-72	64	72	64	72
Washington	64-72	64	72	64	72
West Virginia	64-72	64	72	64	72
Wisconsin	64-72	64	72	64	72
Wyoming	64-72	64	72	64	72

	Today			Tomorrow		
	High	Low	High	Low	High	Low
Albania	64-72	64-72	64-72	64-72	64-72	64-72
Armenia	64-72	64-72	64-72	64-72	64-72	64-72
Australia	64-72	64-72	64-72	64-72	64-72	64-72
Bangladesh	64-72	64-72	64-72	64-72	64-72	64-72
Bhutan	64-72	64-72	64-72	64-72	64-72	64-72
Bolivia	64-72	64-72	64-72	64-72	64-72	64-72
Brazil	64-72	64-72	64-72	64-72	64-72	64-72
Burma	64-72	64-72	64-72	64-72	64-72	64-72
Canada	64-72	64-72	64-72	64-72	64-72	64-72
Chad	64-72	64-72	64-72	64-72	64-72	64-72
China	64-72	64-72	64-72	64-72	64-72	64-72
Colombia	64-72	64-72	64-72	64-72	64-72	64-72
Congo	64-72	64-72	64-72	64-72	64-72	64-72
Cuba	64-72	64-72	64-72	64-72	64-72	64-72
Czech Rep.	64-72	64-72	64-72	64-72	64-72	64-72
Denmark	64-72	64-72	64-72	64-72	64-72	64-72
Dominican Rep.	64-72	64-72	64-72	64-72	64-72	64-72
Ecuador	64-72	64-72	64-72	64-72	64-72	64-72
Egypt	64-72	64-72	64-72	64-72	64-72	64-72
El Salvador	64-72	64-72	64-72	64-72	64-72	64-72
Equatorial Guinea	64-72	64-72	64-72	64-72	64-72	64-72
Ethiopia	64-72	64-72	64-72	64-72	64-72	64-72
Finland	64-72	64-72	64-72	64-72	64-72	64-72
France	64-72	64-72	64-72	64-72	64-72	64-72
Germany	64-72	64-72	64-72	64-72	64-72	64-72
Ghana	64-72	64-72	64-72	64-72	64-72	64-72
Greece	64-72	64-72	64-72	64-72	64-72	64-72
Guatemala	64-72	64-72	64-72	64-72	64-72	64-72
Haiti	64-72	64-72	64-72	64-72	64-72	64-72
Honduras	64-72	64-72	64-72	64-72	64-72	64-72
Hungary	64-72	64-72	64-72	64-72	64-72	64-72
India	64-72	64-72	64-72	64-72	64-72	64-72
Indonesia	64-72	64-72	64-72	64-72	64-72	64-72
Iran	64-72	64-72	64-72	64-72	64-72	64-72
Iraq	64-72	64-72	64-72	64-72	64-72	64-72
Israel	64-72	64-72	64-72	64-72	64-72	64-72
Italy	64-72	64-72	64-72	64-72	64-72	64-72
Jamaica	64-72	64-72	64-72	64-72	64-72	64-72
Japan	64-72	64-72	64-72	64-72	64-72	64-72
Jordan	64-72	64-72	64-72	64-72	64-72	64-72
Kazakhstan	64-72	64-72	64-72	64-72	64-72	64-72
Kenya	64-72	64-72	64-72	64-72	64-72	64-72
Korea	64-72	64-72	64-72	64-72	64-72	64-72
Kuwait	64-72	64-72	64-72	64-72	64-72	64-72
Laos	64-72	64-72	64-72	64-72	64-72	64-72
Lebanon	64-72	64-72	64-72	64-72	64-72	64-72
Libya	64-72	64-72	64-72	64-72	64-72	64-72
Lithuania	64-72	64-72	64-72	64-72	64-72	64-72
Luxembourg	64-72	64-72	64-72	64-72	64-72	64-72
Macao	64-72	64-72	64-72	64-72	64-72	64-72
Madagascar	64-72	64-72	64-72	64-72	64-72	64-72
Mali	64-72	64-72	64-72	64-72	64-72	64-72
Malta	64-72	64-72	64-72	64-72	64-72	64-72
Mexico	64-72	64-72	64-72	64-72	64-72	64-72
Moldova	64-72	64-72	64-72	64-72	64-72	64-72
Mongolia	64-72	64-72	64-72	64-72	64-72	64-72
Montenegro	64-72	64-72	64-72	64-72	64-72	64-72
Morocco	64-72	64-72	64-72	64-72	64-72	64-72
Mozambique	64-72	64-72	64-72	64-72	64-72	64-72
Nepal	64-72	64-72	64-72	64-72	64-72	64-72
Netherlands	64-72	64-72	64-72	64-72	64-72	64-72
Nicaragua	64-72	64-72	64-72	64-72	64-72	64-72
Niger	64-72	64-72	64-72	64-72	64-72	64-72
Nigeria	64-72	64-72	64-72	64-72	64-72	64-72
North Macedonia	64-72	64-72	64-72	64-72	64-72	64-72
Oman	64-72	64-72	64-72	64-72	64-72	64-72
Pakistan	64-72	64-72	64-72	64-72	64-72	64-72
Panama	64-72	64-72	64-72	64-72	64-72	64-72
Paraguay	64-72	64-72	64-72	64-72	64-72	64-72
Peru	64-72	64-72	64-72	64-72	64-72	64-72
Philippines	64-72	64-72	64-72	64-72	64-72	64-72
Poland	64-72	64-72	64-72	64-72	64-72	64-72
Portugal	64-72	64-72	64-72	64-72	64-72	64-72
Romania	64-72	64-72	64-72	64-72	64-72	64-72
Russia	64-72	64-72	64-72	64-72	64-72	64-72
Saudi Arabia	64-72	64-72	64-72	64-72	64-72	64-72
Senegal	64-72	64-72	64-72	64-72	64-72	64-72
Serbia	64-72	64-72	64-72	64-72	64-72	64-72
Singapore	64-72	64-72	64-72	64-72	64-72	64-72
Slovakia	64-72	64-72	64-72	64-72	64-72	64-72
Slovenia	64-72	64-72	64-72	64-72	64-72	64-72
South Africa	64-72	64-72	64-72	64-72	64-72	64-72
South Korea	64-72	64-72	64-72	64-72	64-72	64-72
Spain	64-72	64-72	64-72	64-72	64-72	64-72
Sri Lanka	64-72	64-72	64-72	64-72	64-72	64-72
Sweden	64-72	64-72	64-72	64-72	64-72	64-72
Switzerland	64-72	64-72	64-72	64-72	64-72	64-72
Taiwan	64-72	64-72	64-72	64-72	64-72	64-72
Tanzania	64-72	64-72	64-72	64-72	64-72	64-72
Thailand	64-72	64-72	64-72	64-72	64-72	64-72
Togo	64-72	64-72	64-72	64-72	64-72	64-72
Tonga	64-72	64-72	64-72	64-72	64-72	64-72
Trinidad and Tobago	64-72	64-72	64-72	64-72	64-72	64-72
Tunisia	64-72	64-72	64-72	64-72	64-72	64-72
Turkey	64-72	64-72	64-72	64-72	64-72	64-72
Turkmenistan	64-72	64-72	64-72	64-72	64-72	64-72
Uganda	64-72	64-72	64-72	64-72	64-72	64-72
Ukraine	64-72	64-72	64-72	64-72	64-72	64-72
United Arab Emirates	64-72	64-72	64-72	64-72	64-72	64-72
United Kingdom	64-72	64-72	64-72	64-72	64-72	64-72
United States	64-72	64-72	64-72	64-72	64-72	64-72
Uruguay	64-72	64-72	64-72	64-72	64-72	64-72
Uzbekistan	64-72	64-72	64-72	64-72	64-72	64-72
Venezuela	64-72	64-72	64-72	64-72	64-72	64-72
Vietnam	64-72	64-72	64-72	64-72	64-72	64-72
Yemen	64-72	64-72	64-72	64-72	64-72	64-72
Zambia	64-72	64-72	64-72	64-72	64-72	64-72
Zimbabwe	64-72	64-72	64-72	64-72	64-72	64-72



# Guilty Plea by Unabomber Leaves His Victims' Families Bittersweet

By David W. Chen  
New York Times Service

NEW YORK — For those maimed or deprived of loved ones by packages meticulously assembled by the Unabomber, the guilty plea by Theodore Kaczynski has elicited a mixture of bitterness, relief, gratitude and sadness.

The agreement, reached Thursday, was an unconditional plea under which Mr. Kaczynski accepted a sentence of life in prison without the possibility of release and gave up the right to appeal any rulings in the case.

It resolved all federal charges against him here and in Newark, New Jersey, for bombings that killed three people and injured two.

In addition to killing three men, pros-

ecutors say Mr. Kaczynski injured a total of 28 people in a cold-blooded campaign aimed at challenging society by killing and maiming people he had never met, including intellectuals, business executives and, in some cases, students or airline passengers who somehow strayed into his sights.

"The Unabomber's career is over," said the chief prosecutor, Robert Cleary.

David Gelernter, the Yale University computer science professor who lost fingers in a bombing in June 1993, praised prosecutors, saying that he believed they got "the best deal they could."

At the same time, he said: "My feelings are mixed. In the short term, it's a relief not to have to go to Sacramento

and have to testify. In a deeper sense, deep sadness. I'm less outraged than saddened about the moral state of the country. If we can't get a death penalty in a case like this, I think this is a moral catastrophe for the country."

In Sacramento, Mark O'Sullivan, an FBI chaplain, expressed equally bitter-sweet feelings on behalf of Connie Murray, whose husband, Gilbert, an official with the California Forestry Association, was killed in 1995 by a bomb that was intended for one of Mr. Murray's colleagues.

Describing Mr. Kaczynski as a "cold, calculated killer with no remorse," he said: "Mr. Kaczynski fits the definition of a serial killer, and this was definitely a death-penalty case. Mr. Kaczynski saw loopholes in the system.

His manipulation of the system was very visible."

Other victims, including relatives of the two other people killed by Mr. Kaczynski's packages, could not be reached for comment. But prosecutors said that the victims and their families were of one mind when they decided to accept Mr. Kaczynski's plea of guilty in exchange for a sentence of life in prison.

"The decision to accept the plea was made after consulting with the victims and their families," said Mr. Cleary, the lead prosecutor.

For the public, the plea agreement brought an abrupt end to a riveting case. But without a jury trial, the case differed from recent much-watched cases like those of O.J. Simpson, Timothy Mc-

Veigh and Terry Nichols.

As a result, there was no discernible public outcry after the decision, no public vigil in front of television sets, waiting for a judgment to be announced.

"I think people are relieved, but they're stunned," said Laurie Levenson, dean of the Loyola University Law School in Los Angeles. "This was on such a roller-coaster pace, and then it just ended. In a way, it's a strange letdown. People may be wondering, 'Is that all there is?'"

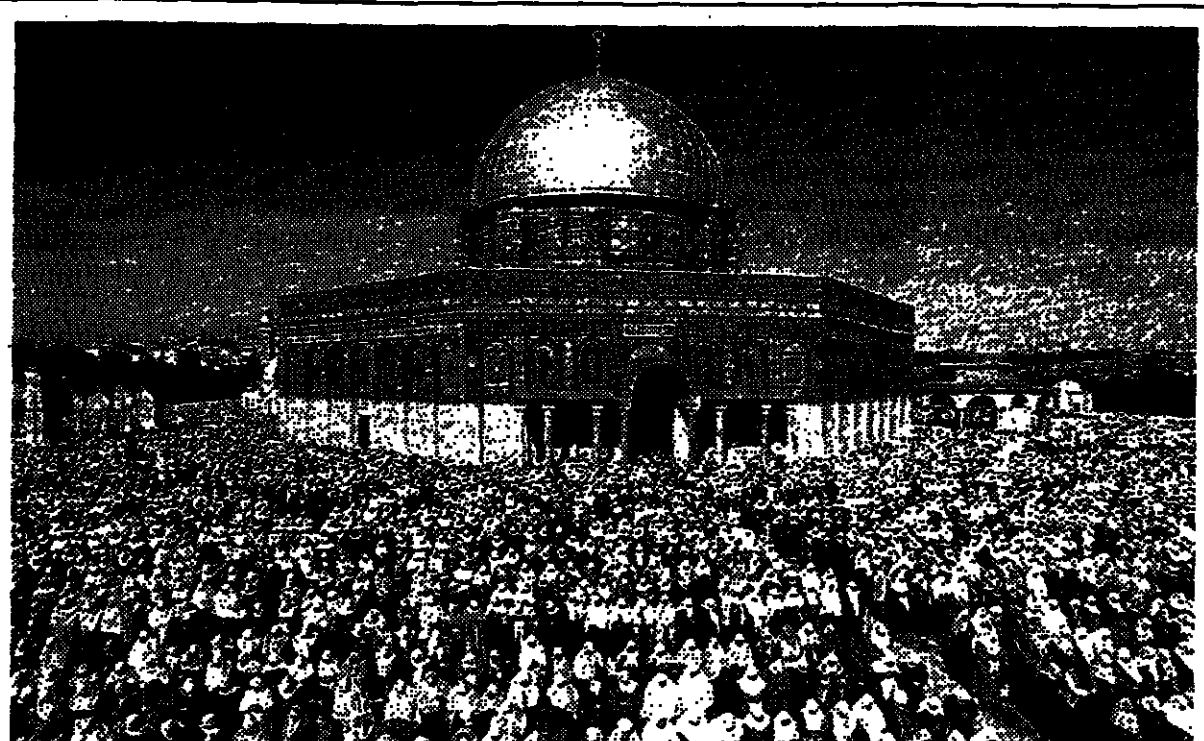
Many legal analysts said that the plea bargain was probably the best solution for all parties, but particularly for the defense.

"In terms of the physical evidence that the government had gathered, the case was a slam dunk for the government,"

said David Ruhke, a criminal defense lawyer who specializes in state and federal death-penalty cases. "So, from the defense point of view, if you know that you're going to lose the first part of the case, you want to avoid the risk of death entirely, and they've done that."

Mr. Ruhke said the fact that a Federal Bureau of Prisons psychiatrist said Mr. Kaczynski suffered from paranoid schizophrenia, coupled with the unsavory prospect of having a jury listen to Mr. Kaczynski's brother, David, plead for his life, made it "an uphill battle in securing the death penalty."

While Mr. Kaczynski was deemed competent to stand trial, the psychiatrist's finding was held to be a basis for altering Attorney General Janet Reno's decision last spring to seek the death penalty.



PRAYERS IN JERUSALEM — Muslims at Al Aqsa Mosque observing the last Friday of Ramadan.

## Arafat Calls Pullback Offer 'Peanuts'

WASHINGTON — The Palestinian leader, Yasser Arafat, on Friday dismissed the Israeli troop withdrawal proposed for the West Bank by Israel's prime minister, Benjamin Netanyahu, as "peanuts."

At a news conference on the final day of a visit to Washington for talks with President Bill Clinton and other U.S. leaders, Mr. Arafat said of Mr. Netanyahu: "What he is offering is peanuts. It cannot be accepted."

Mr. Arafat declined to discuss rival Palestinian and Israeli figures for the extent of the proposed withdrawal. Palestinian officials have said they want 30 percent and that Mr. Netanyahu, in Washington this past week, offered less than 10 percent.

Despite his rejection of the Israeli offer, Mr. Arafat said his two sessions of talks with Mr. Clinton were "successful, important and positive."

Mr. Clinton met Mr. Netanyahu as part of an effort to fashion an agreement based on an Israeli troop withdrawal and a strengthened Palestinian commitment to combat guerrilla violence, paving the way for direct talks to resume.

Palestinian officials said they expected the next move to be a new trip to the region by the U.S. special Middle East envoy, Dennis Ross. Eventually, Washington would like to set up a meeting of Israeli, Palestinian and U.S. officials.

Mr. Arafat repeatedly accused Mr. Netanyahu of failing to honor a 1995 agreement signed in Washington by committing himself to withdraw Israeli troops from most of the West Bank.

U.S. officials said that Mr. Arafat, in a move to address one Israeli concern,

handed Mr. Clinton a letter spelling out for the first time key details of a 1996 decision to annul parts of a Palestinian charter that call for Israel's destruction.

The Washington Post reported Friday that Mr. Arafat gave Mr. Clinton a second letter, saying a "time-out" in Israeli settlement construction should extend to every place on the West Bank that is not within 50 meters (165 feet) of an existing settlement structure.

■ **Gap Over Pullout Schedule**

Steven Erlanger of the New York Times reported from Washington: In talks here with President Clinton, Israel offered a withdrawal from less than 10 percent of the West Bank, in three phases over several months, officials on all sides said Thursday.

Mr. Arafat moved some way to meeting Israeli demands on the revision of the Palestinian charter and further security cooperation. But a significant gap remains, in that Israel wants to carry out only one withdrawal from the West Bank before a final settlement is reached, while Mr. Arafat is insisting that there be three, as Israel agreed to in earlier accords, and that each one be "credible."

As Mr. Arafat met with Mr. Clinton, Vice President Al Gore, Secretary of State Madeleine Albright, and the director of central intelligence, George Tenet, details of the positions of the Israelis and Palestinians became clearer, as did some of the American ideas to bridge the slowly narrowing gaps between them.

Mr. Arafat concurred with an American proposal that the two other withdrawals agreed to in the 1993 and 1995 Oslo accords take place after talks on a final settlement between the Palestin-

ians and Israelis begin, the officials said. More important than the exact size of the first redeployment, Mr. Arafat told Mr. Clinton, is the principle that the Israelis talk to the Palestinians about it, and not just decide on it on their own.

Mr. Netanyahu told Mr. Clinton this week that he would agree to only one withdrawal, matched by reciprocal Palestinian actions against terrorism, before final-status negotiations on a permanent settlement were held.

Israel also argued that the Oslo accords allowed the Israelis alone to decide the size of interim redeployments.

While acknowledging that the Israeli interpretation was legally correct, U.S. officials responded that the "spirit" of the accords, which embody mutual recognition between the Israelis and Palestinians, meant that Palestinian concerns should also be taken into account.

The Americans also would like the initial, phased Israeli withdrawal to take place over several weeks, not several months, the officials say, and to contain two phases. They also said that Mr. Netanyahu was asking too much specific reciprocity from the Palestinians.

Since both sides are trying to set out their best possible positions before entering final-status talks, American officials believe compromises on key issues are possible. They are urging Israeli and Palestinian leaders to think through their responses to the American proposals and come up with new ideas for a meeting of Mr. Netanyahu, Mr. Arafat, and Mr. Albright in about two weeks.

The Israelis asked that the meeting take place in the Middle East, while the Americans prefer Europe, the officials say.

## Zimbabwe's White Farmers Offer Redistribution Plan

### They Would Sell Land to State and Aid Peasants

The Associated Press

HARARE, Zimbabwe — White farmers hoping to sink a government plan to confiscate their properties have offered an alternative program to hand land over to blacks, the main white farming organization said Friday.

The program envisages farmers willingly selling land, even including parts of the farms they occupy, to the state. They also would help peasants with advice and expertise on how to keep the land productive.

Some of the land would go to blacks trained to run larger commercial farming operations, said David Hasluck, director of the Commercial Farmers Union.

Mr. Hasluck said the program was formally presented to the government Thursday. He said the first reaction of government ministers appeared "enthusiastic."

If President Robert Mugabe's government accepted the plan and dropped its program to seize 1,480 farms, most of them white-owned, it would be a major reversal. Mr. Mugabe said earlier this week the land reform program would proceed, even though white farmers and businessmen and the international community oppose it.

Mr. Mugabe faced unprecedented civil unrest, including two days of rioting this week, over steep rises in food prices and other economic problems that led him to call out the army to keep order in Harare, the capital, for the first time since independence in 1980.

Since independence, about 60,000 families have been resettled on land formerly owned by whites.

Farmers already have offered nearly 300,000 hectares (720,000 acres) to the government, Mr. Hasluck said, and the government's target of acquiring 5 million hectares for landless blacks could be met in the same way, aided by donor funding.

"It is possible to make land available in a way that does not disrupt the farming sector or the economy as a whole," he said.

In November, the government released a list of 1,480 mostly white-owned properties targeted for seizure. It said then it would only pay for buildings and improvements on farm land seized originally from black peasants by white settlers.

About 4,000 white farmers own a third of Zimbabwe's land, with 8 million peasants living on another third. The rest is wilderness and uninhabited mountain terrain.

■ **Troops Patrolling Harare**

Troops patrolled rock-strewn streets in Harare on Friday, and some schools and factories remained shut after the food riots this past week, Reuters reported.

Three people were killed and 2,300 arrested for looting during demonstrations on Monday and Tuesday against increases of up to 45 percent in the prices of most consumer goods.

## Away From Politics

■ **With a successful launching of the space shuttle Endeavour from Cape Canaveral, Florida, Andrew Thomas was on his way to the Russian space station Mir, where he will live for 4½ months. He will take the place of David Wolf, an American astronaut who has been aboard Mir since September. Mr. Wolf will be coming home on Endeavour's return trip. The shuttle was expected to catch Mir on Saturday afternoon and was to dock there for five days as the two crews swap water, food and equipment.** (AP)

■ **The number of pedestrians and bicyclists killed by motor vehicles in New York jumped sharply last year, to 302 from 245, after declining steadily since the start of the decade, according to preliminary police figures. Officials were at a loss to explain the 23 percent increase.** (NYT)

■ **Researchers have identified a new risk factor for prostate cancer that may be present in as many as 25 percent of men. Those men, with high blood levels of a certain hormone, have four times the risk of prostate cancer as men with lower levels, though the high readings do not mean that men are certain to develop the disease. The hormone is a naturally occurring substance in the body known as insulin-like growth factor-1. The discovery was published in the journal Science, but scientists said the findings were preliminary and needed to be verified.** (NYT)

## U.S. Battles Russia and China on Iraq

By John M. Goshko  
Washington Post Service

UNITED NATIONS, New York — The United States is in sharp disagreement with Russia and China about whether the Security Council should certify that Iraq has halted its nuclear weapons program.

After hearing a report from the International Atomic Energy Agency, the Russian and Chinese ambassadors reiterated assertions that the council should close its file on whether Iraq still has a capacity to produce nuclear weapons.

But the U.S. delegate to the United Nations, Bill Richardson, said that there were "significant gaps" in the atomic energy agency's information that offer "no justification for closing the nuclear files."

Under the terms of the

cease-fire that ended the Gulf War in 1991, UN sanctions against Iraq cannot be lifted until the council is satisfied that Baghdad has eliminated all its programs to produce weapons of mass destruction. The UN Special Commission has responsibility for tracking missiles and chemical and biological weaponry, while the atomic energy agency investigates nuclear capability.

Diplomats said that at the closed-door briefing of the Security Council on Thursday, Garry Dillon, an official of the International Atomic Energy Agency, essentially repeated the agency's earlier findings that although Iraq appears to have halted its nuclear weapons program, it might still be withholding information.

The chief Russian delegate to the United Nations, Sergei Lavrov, interpreted Mr. Dillon's briefing as proof that Iraq has complied fully with the UN mandates.

The Chinese delegate, Qin Huasun, said, "It is time to close the nuclear file."

He added that the atomic energy agency should halt inspections and institute instead a long-term monitoring and verification program.

## 28 Die in Kenya In Attacks by Cattle Rustlers

The Associated Press

NAIROBI — At least 28 people have been killed in attacks in central Kenya that are apparently targeting members of the Kikuyu tribe, a newspaper said Friday.

The independent Daily Nation said the police had discovered 13 more bodies Thursday in the bush in Laikipia district in the north end of Rift Valley Province, about 200 kilometers northwest of Nairobi.

Fifteen people had already been killed by the unidentified raiders since the attacks and cattle-rustling raids began a week ago. Dozens of people have sought shelter on the grounds of Roman Catholic churches in the area.

A police spokesman said officials in the area put the number of dead at 22. He said arrests had been made, but he did not know the number.

The motive behind the raids was cattle-rustling, he said, but he did not know the number of head stolen.

## Mary Bunting-Smith, Educator, Dies

New York Times Service

NEW YORK — Mary Ingraham Bunting-Smith, the Radcliffe president who sought ways to help gifted, educated women carve out careers in a society not yet transformed by the feminist movement, died Wednesday afternoon at Kendall at Har- over, a continuing-care community in New Hampshire. She was 87.

Mrs. Bunting-Smith, who was known as Polly from childhood and added Smith to her name after her second marriage in 1979, died of a combination of natural causes, said Charles Bunting, one of her sons.

A microbiologist, Mrs. Bunting-Smith oversaw the fuller integration of Radcliffe College into Harvard and founded the Radcliffe Institute for Independent Study — now the Bunting Institute —

to help women scholars, writers, artists and scientists return to careers interrupted by family obligations.

Mrs. Bunting-Smith was also the first woman member of the U.S. Atomic Energy Commission, a member of the prestigious American Academy of Arts and Sciences, a member of the President's Committee on the Status of Women, and a vice president of the Peace Corps.

Underutilized women and interrupted careers were a constant theme for Mrs. Bunting-Smith. She chided society for its "waste of highly talented, educated women-power," as she put it in a 1961 article in The New York Times, calling it a "prodigious national extravagance."

"The number of intellectually displaced women without productive outlets for

their talents and education is growing yearly," she wrote.

"Yet, to date, our efforts to stem the waste they epitomize have been meager, scattered and inadequate."

Jack Lord, 77, Star of 'Hawaii Five-O'

NEW YORK (NYT) — Jack Lord, 77, the deadpan star of "Hawaii Five-O" who made "Book him, Danno!" a fixture of American slang, died Wednesday at his home in Honolulu.

He died of congestive heart failure, said Carolyn Tanaka, a spokeswoman for Marie Lord, the actor's wife and only survivor.

Playing strait-laced, tight-lipped Detective Steve McGarrett, head of an elite state

police investigative unit, Mr. Lord helped make "Hawaii Five-O" the longest running police drama in television history. It lasted 12 seasons on CBS, from 1968 to 1980, and was also seen in more than 80 other countries.

The phrase "Book him, Danno," used when the bad guy was captured, came from the name of McGarrett's assistant, Detective Danny Williams, who was played until the show's penultimate season by James MacArthur.

Mr. Lord was not only the star; his contract gave him control over dramatic decisions on every episode, and it was he who insisted, against the network's wishes, that the show be shot entirely on location in Hawaii.

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**By Barbara Crossette**  
*New York Times Service*



# Political Explosion Aside, President Faces Array of Legal Questions

By Jan Hoffman  
New York Times Service

**NEW YORK** — In addition to the political problems, the allegation that the president had a relationship with a former White House intern raises numerous legal questions.

For starters, scholars disagree about whether the president can even be indicted, much less prosecuted. That constitutional issue has never been resolved by the Supreme Court, which came closest to examining it in 1974, when the justices ruled that President Richard Nixon could not claim executive privilege to block a Watergate special prosecutor's subpoena for White House tapes. Mr. Nixon had been named by the grand jury in that case as an "unindicted co-conspirator."

Although lawyers for both sides fully briefed the question of whether Mr. Nixon could be indicted, each gave entirely different readings of the Constitution. Chief Justice Warren Burger said that the court did not have to resolve the dispute in order to rule on the executive privilege.

If, however, Mr. Clinton can be indicted and prosecuted, here are several legal issues that might be raised:

- Mr. Clinton testified at a deposition before Paula Jones's lawyers, though Monica Lewinsky's scheduled appearance Friday has been postponed indefinitely. Can a person be charged with perjury for lying at a deposition taken for a civil action?
- Yes. As a deposition, a wide-ranging inquiry at which lawyers develop information for their forthcoming cases, the person being questioned must swear an oath to tell the truth, and testimony can often be introduced in court. The crime of perjury is generally defined as knowingly testifying falsely in violation of that sworn oath. That said, a prosecution for perjury rising out of a civil case is rare.
- If the strongest allegations against Mr. Clinton have merit, what crimes could he be charged with?
- Several former federal prosecutors said Mr. Clinton could be charged with perjury if he lied to Ms. Jones's lawyers at his deposition; suborning

perjury — if he encouraged Ms. Lewinsky to lie at her deposition; obstruction of justice — a broader category of impeding an investigation, and conspiracy on the suborning and obstruction charges, if he asked Vernon Jordan Jr., his friend, to persuade Ms. Lewinsky to lie.

- Taping a telephone conversation without the speaker's consent is illegal in the state of Maryland, where Linda Tripp recorded Ms. Lewinsky's calls to her, but is not illegal under federal law. Are the tapes admissible in a federal criminal case?
- Yes. Federal rules control in federal court. However, Kenneth Starr, the independent prosecutor, had Ms. Tripp wear a wire and record a new conversation with Ms. Lewinsky under the unambiguous cloak of federal protection, so that he would not have to rely on telephone tapes made under the taint of illegality.
- Can the tapes be used as evidence against Mr. Clinton in a criminal case?
- Yes and no. At a grand jury hearing to determine whether to indict Mr. Clinton, prosecutors can introduce the tapes. But at trial, a defendant

has a Sixth Amendment right to cross-examine his accuser, Ms. Lewinsky. A tape of her making statements about him cannot be cross-examined and so would most likely be considered hearsay, assuming she herself could be subpoenaed to testify. Here, the tapes could not be presented in the prosecution's direct case.

Federal evidence authorities say, however, that the tapes could be introduced in two other ways: If she testifies against Mr. Clinton, prosecutors may be able to introduce portions of the tapes to show that her testimony was consistent with her earlier statements. If she testifies for Mr. Clinton, denying that they had an affair and that he encouraged her to lie in the deposition, the prosecution can introduce the tapes to challenge her credibility.

- How is Ms. Lewinsky's relationship with Mr. Clinton germane to the Jones lawsuit, which claims that the then-governor asked her for sex?
- To prevail, Ms. Jones, a state employee, does not need to establish that Mr. Clinton had a pattern of soliciting sex from employees.

But if she can, introducing other examples might help bolster her credibility in a case she said before a jury. She does have to show that Mr. Clinton implicitly or explicitly made sex with him a condition of her employment. Her lawyers would want to question Ms. Lewinsky on the same point.

- Ms. Lewinsky's lawyer has said that she may eventually invoke the Fifth Amendment at her deposition in the Paula Jones case. Why would that be necessary?
- It is not a crime to lie to a friend about having an affair with a married man. But Ms. Lewinsky has submitted a signed affidavit to Ms. Jones's lawyers saying the affair never happened. If she persists with the denial at the deposition and it turns out that the affair did occur, she could face perjury charges.
- Since that is a risk, she can claim the Fifth Amendment protection against self-incrimination at the civil proceeding, to ward off the possibility that deposition testimony about the affair could be presented to a grand jury.

## Again, Jordan Supports His Friend

### From Hubbell to Foster to Sex Scandal, Lawyer Is There for Clinton

By Ruth Marcus  
and Thomas B. Edsall  
Washington Post Service

**WASHINGTON** — During nearly every crisis of the Clinton presidency, Vernon Jordan Jr. has been a constant, though largely invisible, presence. The 62-year-old lawyer has now again come to the aid of the president, this time standing front and center with a public statement that may be the best news the beleaguered Mr. Clinton has had in the last few days.

On Thursday afternoon, Mr. Jordan walked into a crowded meeting room at a hotel here to make his first comment on the allegations that a 24-year-old former White House intern had an affair with Mr. Clinton and was then advised by the president and Mr. Jordan to lie about it.

The reporters and camera crews fell silent. The 6-foot-4-inch Mr. Jordan, impeccably tailored as usual, smiled ever so slightly.

"May I have your attention? My name is Vernon Jordan," he said, knowing full well that every person in the room knew exactly who was at the lectern.

He then launched into his account of his dealings with Monica Lewinsky. He took no questions.

In crisp, declarative sentences, Mr. Jordan in many ways did a better job for Mr. Clinton than the president had done for himself the day before with his halting and incomplete account of his dealings with Ms. Lewinsky.

Punching out each word for emphasis, Mr. Jordan provided help to Mr. Clinton on two critical points.

"I want to say absolutely and unequivocally that Ms. Lewinsky told me in no uncertain terms that she did not have a sexual relationship with the president," he said. "At no time did I ever say, suggest or intimate to her that she should lie."

Putting himself in the line of fire in a way few lawyers would advise, Mr. Jordan promised to testify "directly, completely and truthfully" about the matter before the grand jury convened by the Whitewater independent counsel, Kenneth Starr, who Mr. Jordan said had subpoenaed him to appear.

Some Washington lawyers said that Mr. Jordan was being foolhardy in agreeing to testify before knowing what other evidence the prosecutors have in hand, even if he has nothing to hide.

But the alternative scenario — Mr. Jordan stalling Mr. Starr's efforts to question him or even invoking his Fifth Amendment privilege against self-incrimination — would have been politically, and possibly legally, devastating for Mr. Clinton, making it look as if one of his closest advisers had something to hide.

Instead, Mr. Jordan tried to portray his dealings with Ms. Lewinsky as business as usual for him.

Yes, he said, he had tried to help her find a job, referring her to two companies where he serves as a director. Yes, when Ms. Lewinsky was subpoenaed in the Paula Jones sexual harassment lawsuit, he found a lawyer for her and even escorted Ms. Lewinsky to the lawyer's office to introduce them.

It was a remarkable description of one of the most powerful of Washington power brokers going far out of his way for a lowly and, until this week, largely unknown administration underling.

Mr. Jordan said he was then working at the Pentagon, at the request of Mr. Clinton's secretary, Betty Currie.

He did not explain why Ms. Currie was helping an intern who had left the White House 20 months earlier or whether he had talked to Mr. Clinton about Ms. Lewinsky. To put his intercession into perspective, Mr. Jordan described himself as a believer in the biblical admonition, "To whom much is given, much is required."

A former civil rights leader who now serves on 11 corporate boards and earns an estimated \$1 million a year as a partner in one of Washington's leading law firms, he portrayed the help he gave Ms. Lewinsky as merely an example of how he uses his power to do good.

"I was pleased to be helpful to Ms. Lewinsky, whose drive, ambition and personality were impressive," Mr. Jordan said.

Indeed, Jordan friends said he has quietly helped a number of people, both big players and "little cheees," as one put it, obtain jobs in the administration and land comfortably when they left public service.

Since his brief stint as co-chairman of Mr. Clinton's transition team, the public glimpses of Mr. Jordan have been of the golfing partner, happily driving his friend around the course on Martha's Vineyard, or the Christmas Eve celebrant continuing the tradition of dinner with the president and the first lady.

But he has also been a quiet presence at the White House.

"Whenever there's a problem, Vernon's around to help," a senior official said in 1994, describing the bond that has formed between Mr. Clinton and Mr. Jordan.

When a former associate attorney general, Webster Hubbell, was forced to resign amid allegations that he embezzled from his former law firm, Mr. Jordan stepped in to get him a \$100,000 consulting contract.

When the White House deputy counsel, Vincent Foster, committed suicide, Mr. Jordan joined Mr. and Mrs. Clinton at the Foster home and stayed up with the grieving president until 2 A.M.

A defense lawyer, James Cole, contrasted Mr. Jordan's appearance Thursday with Mr. Clinton's performance Wednesday.

Then the president equivocated about whether he had ever discussed testifying in the Jones lawsuit with Ms. Lewinsky and was for some time unclear about whether he was denying having a relationship with her in the past, as opposed to an ongoing affair.

"The president got up to make a denial and never made full denial and he had to kind of evolve his denial," Mr. Cole said.

"Vernon Jordan got up and made a denial — flat-out, straight ahead, here it is."

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Betty Currie, a White House secretary, and President Clinton in an April photo. Mrs. Currie has been subpoenaed by the independent Watergate counsel in connection with the Lewinsky episode.

## CLINTON: Aides Rally Around President

Continued from Page 1

seemed to confirm the depth of administration concern, four cabinet members appeared before television cameras outside the White House to insist vigorously that Mr. Clinton had done nothing wrong and that they would continue to tend to the public's business.

"The American people would be ill-served if the president of the United States and his cabinet did not focus on what we have been asked to do or he has been elected to do," Secretary of State Madeleine Albright said, speaking forcefully. "The president is focused on what he has to do, I am focused on what I have to do, the other secretaries are, and I think the American public would be appalled if they thought we weren't doing our job."

She was joined by Donna Shalala, the secretary of health and human services; William Daley, the secretary of commerce; and Richard Riley, the secretary of education.

The president has taken pains to maintain his schedule and project a sense of normalcy, but his aides admit to feeling a sense of siege.

The White House attempt to show that it is conducting business as usual seemed almost surreal Friday.

With reporters clamoring for comment on the affair, Michael McCurry, the president's spokesman, opened a news briefing with a long and leisurely explanation of cabinet discussions totally unrelated to the Lewinsky scandal.

When he finally took questions on the matter, he said Mr. Clinton had spent no time Friday morning addressing the issue, though he was expected to do so later.

Mr. Ginsburg, the Los Angeles attorney representing Ms. Lewinsky, said on ABC-TV that his client had come under pressure while being questioned before the case was brought to public notice.

"I can say that repeatedly during the course of discussions with the office of the prosecutor, we have been squeezed," Mr. Ginsburg said.

"They've even made threats to involve her parents, who, as far as I know, know nothing about the situation."

"They are suggesting perhaps that her parents would be involved as witnesses in some fashion before a grand jury."

Ms. Lewinsky's deposition in the Jones case was indefinitely postponed by the presiding judge in Arkansas, Susan Webber Wright of the Federal District Court in Little Rock.

The former intern, who has reportedly been in seclusion in an apartment owned by her family in the Watergate apartment building in Washington, had been planning to invoke her constitutional privilege not to answer questions that might incriminate her, Mr. Ginsburg confirmed.

She provided an affidavit two weeks ago in which she denied that she had a sexual relationship with the president. According to USA Today, the affidavit contained the statement: "I have the utmost respect for the president, who always behaved appropriately in my presence. I have never had a sexual relationship with the president."

Mr. Ginsburg said in an interview Friday with CNN that "she will stand on the sworn affidavit at this time."

Lawyers representing Ms. Jones denied that they were cooperating with the criminal investigation of Mr. Clinton by the team of Whitewater prosecutors headed by Kenneth Starr.

Mr. Starr, a Republican, has re-

peatedly been accused by Democrats of waging a partisan crusade against Mr. Clinton since he began serving as Whitewater special prosecutor three and a half years ago.

— When reporters asked Mr. McCurry about a possible political motive, he said, "It would be highly improper for us to speculate as to motive."

Mr. McCurry said Mr. Clinton wanted to put the issue to rest but added, "He has to be prepared to do it in a thorough and comprehensive way."

The president's aides originally said that he might hold a news conference on Friday, but later said he wanted to give his staff time to provide investigators with the materials they have subpoenaed about the comings and goings of the former aide.

His political image already appears to have suffered, though no allegations have been proven, and his political leverage and ability to raise funds for his party could be seriously harmed, despite his history of surviving scandal largely intact.

Mr. McCurry acknowledged concerns that U.S. influence could suffer a blow abroad. Foreign capitals, he said, "don't really understand why we do this to ourselves."

There was considerable press speculation about whether Mr. Starr might be able to work out a deal with Mr. Ginsburg for Ms. Lewinsky's cooperation. Her lawyer said he had not heard from the Starr team since Monday.

Mr. Starr's office has said that its only interest in Ms. Lewinsky is as a witness.

Mr. Ginsburg referred to his client Friday as a "target" of the Whitewater criminal investigation. In an interview with The Associated Press, he said he was using the term in the legal sense, meaning someone who is likely to be indicted.

The only charge she appears to be liable to, from what is known, would be to perjury, if in fact her sworn affidavit that she had no affair with Mr. Clinton were to be proven wrong.

Mr. Ginsburg described Ms. Lewinsky as being "devastated, concerned, upset and fearful — does not know what the future holds."

Asked whether she had been asked to wear a wire and instigate conversations with Mr. Jordan and perhaps Mr. Clinton, Mr. Ginsburg said, "I think that's a very fair assumption, based on the knowledge of the investigatory process that's taken place."

His statement that his client "at this time" stands by her affidavit filed earlier this month stirred speculation about her intent as the matter unfolds and the stakes grow higher.

The scandal that has entangled Mr. Clinton began when Linda Tripp, a friend of Ms. Lewinsky's, provided Mr. Starr with about 20 hours of audio tapes in which she is heard describing a sexual relationship with the president and discussions on hush-up.

CBS reported that on one tape, Ms. Lewinsky is heard complaining that Mr. Clinton was cheating on her with four other women, three of them White House staff members.

As the affair lurched along, many key questions remained unanswered:

- What exactly will the tapes in Mr. Starr's possession reveal?
- What will White House logs and information show about Ms. Lewinsky's contacts with the president?
- What might Mr. Jordan, who has been subpoenaed to testify to the grand jury, say under oath?

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## How Lewinsky Got the Job

Big Clinton Contributor Recommended Her to White House

**WASHINGTON** — A retired New York City insurance executive who was one of President Bill Clinton's top contributors recommended Monica Lewinsky for her job as a White House intern, said a former Clinton campaign official and government investigator.

The executive, Walter Kaye, who contributed \$347,000 to the Democratic National Committee and Democratic candidates and was an overnight guest at the White House, helped Ms. Lewinsky obtain her White House position.

Mr. Kaye was friendly with Ms. Lewinsky's mother, Marcia Lewis, author of a book about the opera singers Luciano Pavarotti, Placido Domingo and Jose Carreras.

Mr. Kaye has been one of the president's most stalwart backers, having also contributed to his legal defense fund. He also donated to a legal fund established by Susan McDougal, the Clintons' jailed former business partner who was convicted of fraud in 1996 as part of the Whitewater case prosecuted by the independent counsel, Kenneth Starr.

Thursday and White House sources confirmed that when Ms. Lewinsky returned to visit after she had left to work at the Pentagon, it was Ms. Currie who typically cleared her in.

According to those who have worked with her, Ms. Currie is a polished professional in her late 50s, a relatively apolitical woman who has been drawn repeatedly to intensely political settings.

President Clinton has called her "a calm, reassuring voice."

She first went to work for the government in 1957. During the 1970s, she worked as special assistant to Sam Brown Jr., President Jimmy Carter's appointee to lead ACTION, the agency that includes the Peace Corps.

By the next decade, she had moved into Democratic campaigns.

She worked on the 1984 vice presidential campaign of Geraldine Ferraro, then the 1988 presidential campaign of Michael Dukakis.

"She went to work in the Little Rock 'war room' during Mr. Clinton's 1992 campaign, apparently because she was a friend of John Podesta, now White House deputy chief of staff."

After the election, she was secretary to the future secretary of state, Warren Christopher, when he was co-chairman of the Clinton transition team. It was her role in the transition that landed her a job as one of Mr. Clinton's two personal secretaries. (WP)

**No Comment on Chelsea**

**PALO ALTO, California** — Stanford University has declined comment about how Chelsea Clinton is handling the scandal around her father.

"We do not discuss any students individually unless they have done something that we view is Stanford news," said Terry Shepherd, a spokesman for the university.

Chelsea Clinton enrolled last fall at Stanford. Her parents asked the media not to bother her at college. (Reuters)

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## Gatekeeper in the Glare

**WASHINGTON** — Betty Currie has been the Oval Office's genteel gatekeeper for five years, a meticulous secretary who is unfailingly gracious while sorting out President Clinton's true friends from those who merely claim to be.

Suddenly, this obscure public servant has been thrust into a spotlight only a Washington scandal can shine.

Vernon Jordan Jr. acknowledged that he had helped Ms. Lewinsky look for a lawyer and a job. It was Ms. Currie, Mr. Jordan said, who asked him to help Ms. Lewinsky, the former White House intern who allegedly had a sexual relationship with President Clinton. Mr. Starr, the independent counsel, subpoenaed Ms. Currie on

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## STRATEGY: Clinton's Political and Legal Advisers at Odds

Continued from Page 1

answer the allegations publicly, his lawyers — including the White House counsel, Charles Ruff, and a private attorney, David Kendall — have warned in sharp terms that Mr. Clinton must keep his public answers terse and undetailed until they can assemble more facts about Mr. Clinton and Ms. Lewinsky and make a more complete assessment of the legal threat Mr. Clinton is facing from the Whitewater independent counsel, Kenneth Starr.

The dispute in the White House, as several people described it, was essentially over timing as well as the feasibility of getting answers that will not be contradicted.

The political team — including his advisers Rahm Emanuel, Paul Begala and Douglas Sosnick — argued that Mr. Clinton must provide answers rapidly to put out the firestorm of negative pub-

licity and keep his policy agenda from being reduced to an irrelevancy.

The lawyers, while agreeing that Mr. Clinton's problems have both a political and legal dimension, said they need to be especially methodical in compiling critical information — such as how often Ms. Lewinsky visited the White House after she left her job there to work at the Pentagon in April 1996; how often she spoke with Mr. Clinton and what other charges Mr. Starr may be pursuing — before Mr. Clinton ventures forward with his version of events.

Some White House advisers noted how starkly Mr. Clinton's tepid responses contrasted with the aggressive responses he has often given when faced with allegations before.

"There are a lot of people who want him to break out of the lawyers' trap he's in and be himself," said one member of what he called the "let-Clinton-be-Clinton" crowd.

Recent days have also illustrated how, in light of this controversy, even years-old Clinton statements are being dissected anew for veracity, presenting further problems for Mr. Clinton.

Mr. Clinton's reputation for semantic contortions is hurting his public defense now.

One White House official, who rejects the idea that lawyers are insensitive to the public relations aspect of the controversy, said the goal was to present enough facts to convince people that Mr. Clinton is not hiding behind rhetorical dodges.

About a half-dozen meetings were held Thursday between the political and legal teams at the White House to discuss public relations strategy. While the lawyers — Mr. Ruff, Mr. Kendall and Robert Bennett — are allowed in the communications meetings, the political advisers are not allowed in the legal strategy meetings.

## Even Critics Of Counsels Believe Starr Acted Rightly

By John Mintz  
and Toni Locy  
Washington Post Service

**WASHINGTON** — For years, critics have accused independent counsels of conducting costly and ever-expanding investigations that have resulted in the criminalization of American politics.

But even some of those most skeptical about the 1978 law that established the counsels said that the Whitewater independent counsel, Kenneth Starr, seemed on firm legal ground when he sought and received judicial permission to expand his inquiry into whether President Bill Clinton urged a 24-year-old former White House intern to lie in sworn testimony.

Adding to the independent-counsel criticism, the outside attorneys prosecuting a former Clinton housing secretary, Henry Cisneros, and a former agriculture secretary, Mike Espy, have been harshly criticized for going beyond the scope of their initial charges, targeting peripheral players and spending too much time and money investigating offenses that, even if proven, might not warrant the effort.

In his secret application to Attorney General Janet Reno last week, sources said, Mr. Starr justified the expansion by pointing out that his team was already examining allegations that Vernon Jordan Jr. tried to buy the silence of a former Justice Department official, Webster Hubbell, by lining up consulting jobs for him. Mr. Starr, the sources said, asserted that the new allegations that Mr. Jordan urged Monica Lewinsky to lie by denying she had a sexual affair with Mr. Clinton and that Mr. Jordan was helping her find work in New York were closely related to the earlier investigation of Mr. Jordan.

"If Vernon Jordan's actions are a subject of the new investigation, then that seems reasonably related to the pre-existing probe," said Joseph DiGenova, a former independent counsel who is a leading critic of the use of such independent prosecutions.

Alexia Morrison, who was an independent counsel in the 1980s examining a Justice Department official for allegedly misleading congressional testimony on environmental records, said that Mr. Reno's approval of Mr. Starr's request insulates him from criticism.

The new investigation centers not on whether Mr. Clinton had an improper sexual relationship but on whether "the chief law enforcement officer in the land was screwing around with the justice system," she said.

Mr. DiGenova called the independent prosecutor law "a constitutional monstrosity and a legislative disgrace" because it strips the Justice Department of its prosecutorial functions.

But Mr. DiGenova said that Mr. Starr did the right thing on Jan. 12, when a Lewinsky friend, Linda Tripp, approached him with tapes that she surreptitiously made of Ms. Lewinsky allegedly describing her dalliances with Mr. Clinton and his appeals that she lie about it. Mr. Starr then asked the FBI to place a recording device on Ms. Tripp and have her talk to Ms. Lewinsky.

Mr. DiGenova said there was no way Mr. Starr could have gone to the attorney general for approval of an investigative expansion based on tapes secretly made by a person who was not a law enforcement officer.

Had Mr. Starr gone with Ms. Tripp's tapes, Ms. Reno and the judges could have questioned the tapes' authenticity, Mr. DiGenova said.

**Criticism of Starr**

David G. Savage of the Los Angeles Times reported:

Mr. Starr's allegations renewed complaints among administration supporters about the independent counsel.

"This shows if you can keep yourself in business for five years, you can find something to go after," said Stanley Brand, a former Democratic House counsel. "As a legal matter, I question his right to go into anything like this."

Lawrence Walsh, the former Iran-contra prosecutor, also voiced his discomfort about the latest turn in the Whitewater inquiry.

Prosecutors "should stay out of intensely personal matters," Mr. Walsh said, and focus on "official business. I don't think they should be drawn away into something highly personal."



The nation has heard enough from press secretaries and lawyers. This is a presidential-scale task. The proper audience to receive the president's report is not a handful of citizens in a grand jury room, but the national constituency that put him in office. There is much to be said for the calm atmosphere of the televised evening

But The Washington Post reported (HT, Jun. 23) that people close to the case said that in his deposition Saturday in Paula Jones's sexual harassment lawsuit against him, Mr. Clinton admitted having an affair with Ms. Flowers during the 1970s. A presidential spokesman, Michael McCurry, took indirect issue with the report. He said that both the president's depos-

The arrest of Mr. Jelstic is important in part because of who he is — one of only seven indictees charged with the

All this alleged White House contact may be innocent, but it was palpably odd, considering that Ms. Lewinsky is reported to have been exiled to the Pentagon for inefficiency. The constricted answers of Mr. Clinton and Mr. Jordan have added to the oddity, not dissipated it. A complete, factual account by a president who is interested in telling his story is the best answer for a nation that has not prejudged the facts but is understandably troubled and mystified by them.

— THE NEW YORK TIMES.

It is worth keeping Mr. Clinton's public remarks concerning Gennifer Flowers in mind in considering his denial that he had any "improper relationship" with Monica Lewinsky. In an interview with Jim Lehrer on PBS on Wednesday, the president said "there is not a sexual relationship, an improper sexual relationship, or any other kind of improper relationship" between him and Ms. Lewinsky. Until the president's testimony can be examined in full, the renewed questions about Ms. Flowers can only make people wonder whether Mr. Clinton has leveled with the public about this latest charge and what, if anything, his denial really means.

There is an urgent need for a bargain between international creditors and their Indonesian borrowers. For example, David Hale, global economic strategist at Zurich Kemper Investments, has suggested a grace period for repayment of principal for, say, three

Rather than turn to the streets in protests and violence, the new middle-class opposition places its faith in mar-

mare for the host country. It is nevertheless likely that a large number of foreign workers will have to leave, either because they can no longer sustain themselves in their new homes, or because host countries cannot pay the political price of their continued presence.

The effect of this economic down-

*The writer, president of the Asia Pacific Policy Center in Washington, contributed this comment to the International Herald Tribune.*

The next wave of "boat people" — driven this time by economics, not politics — might then not be far away.

*The writer, director general of the International Organization for Migration, an intergovernmental agency in Geneva, contributed this comment to the International Herald Tribune.*

The news of the latest accusations against Mr. Clinton broke suddenly but not entirely unexpectedly. As in Watergate, each event is just the most recent episode in an unfolding saga. Still, it has shocked the capital and the world.

The public is properly skeptical of these tales when they first appear. They seem so implausible — so jarringly out of sync with the public picture

The public Mr. Clinton has been so deft, so charming and increasingly so successful a president that the stories of his tomcatting have been relegated to a separate compartment of the national consciousness. The gap in his poll ratings between job performance and personal character has been wide and persistent.

From boyhood on, people who met Mr. Clinton even casually recognized his exceptional intelligence, personal empathy and persuasiveness — and saw how far those gifts could carry him in his ambition for public service.

They were not wrong. Those qualities have made him the first Democrat since Franklin D. Roosevelt to win two terms

In his State of the Union address scheduled for Tuesday night, he plans to start an effort to use possible budget surpluses to avoid the long-term threat of bankruptcy in the Social Security system — perhaps the greatest achievement of his party in this century — and assure its survival for future generations.

**All that is threatened, and it makes what is happening more than a personal drama. It is a black day for the nation.**  
*The Washington Post*

In my unscientific survey, almost all of these supporters are angry. At some level, most accept that something happened between Mr. Clinton and this young woman — even though most thought he was too smart to give anyone direct encouragement to commit perjury. Their fury is in some cases

I suspect I'm like most Americans: I want the president to be telling the truth and all of this to be a terrible invention. One of the people I spoke with is a senator and a Clinton supporter. Until Wednesday he thought Mr. Clinton was about to enter the most promising period of his presidency. The senator said he hoped the charges were false. He said it almost prayerfully. He did not sound convinced that his prayers would be answered.

**BERLIN** — The anti-foreign feeling is increasing in Berlin. Rumors of "atrocities" in the Ruhr are spread a half-dozen times a day throughout the city. One report was to the effect that the French had decided to strip

### 1948: Franc Devalued

**PARIS** — A French spokesman announced last night [Jan. 24] his government was proceeding with the franc's devaluation. His statement meant that vigorous protests from Sir Stafford Cripps, British Chancellor of the Exchequer, had failed to persuade France from her intended course. It also meant that the International Monetary Fund, even if it were opposed, could not keep the French government from devaluing the franc and reestablishing free money markets. Devaluation and money trading are the two salient points of the program for financial reform.

# Herald INTERNATIONAL Tribune

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## A Cultural Leap in Karlsruhe

By David Galloway

**K**ARLSRUHE, Germany — Despite its significance as a Rhine harbor and industrial center, the city founded in 1715 by Margrave Karl Wilhelm of Baden-Durlach figures in few touristic itineraries. Yet its cultural attractions are far more extensive than a population of 270,000 would lead travelers to expect.

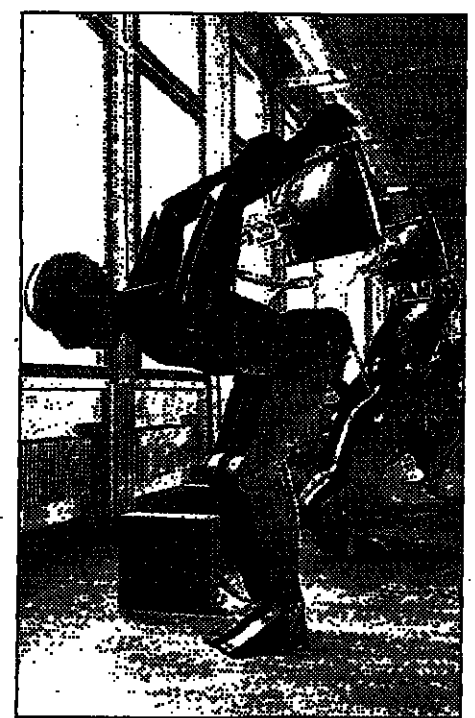
That Karlsruhe's first-class museums are so little known to a larger public has at least something to do with the shoulder-to-the-wheel pragmatism of its inhabitants. As one local wag has observed, "They not only put their cultural light under a bushel but promptly sit down on the basket." As a result, a visitor may find himself virtually alone in Karlsruhe's magnificent Baroque palace, which houses the State Museum. Its extensive holdings — including the celebrated Memminger Altar — document some 5,000 years of European cultural history.

Among the other well-kept secrets is the Museum für Kunst und Medien (Museum of Art and Media), founded in 1993 as the country's only institution devoted to the applied arts of this century. The city's Kunsthalle, with paintings from the Middle Ages to the present, ranks as one of Germany's most beautiful museums. And Karlsruhe has two art academies, the region's most extensive fine-arts library, Europe's largest institute for computer sciences and a number of important archives including one that documents the production of majolica in the region.

With the recent opening of the Karlsruhe Center for Arts and Media (ZKM), the era of obscurity would seem to be drawing to a close. For 154 million Deutsche marks (\$85 million), the city has renovated a former munitions factory to house an Academy of Design, a Media Museum and a Museum for Contemporary Art, which places painting, sculpture, photography and new-media art on an equal footing.

The Municipal Gallery, focusing on regional artists, has also found a new if somewhat incongruous home here, and a Collectors' Museum will round out the complex in two years' time.

**T**HANKS to the generous spaces and the sensitive installation of works in the Contemporary Arts Museum, even the faint sounds of distant beeping video games seem less a distraction than a lure to move into other, unexplored corners. So far as more traditional arts are concerned, the Contemporary Museum has



Frank den Ouden's "Floating Identities," done in 1995.

understandably focused on younger artists and tends to present groups of works rather than isolated examples. One can quibble with individual choices and regret, even, the inclusion of two anemic photographs by Robert Rauschenberg. Contemporary photography, however, makes a relatively strong showing, while the ingenious video installations of Fabrizio Plessi and Marie-Jo Lafontaine should convince even die-hard skeptics that this is a medium that has reached full aesthetic maturity. It is impossible to make similar claims for the interactive and "virtual" works on view. These, on the other hand, are part of the Media Museum, which intentionally stresses an experimental, workshop character.

Combining teaching, research and exhibition facilities under a single roof was the brainchild of 62-year-old Heinrich Klotz, who struggled for eight years to turn his vision into reality. A former journalist, art historian and university professor, Klotz first showed his skills at bucking the odds when he became founding director of Frankfurt's Architecture Museum, which at his urging became part of the museum embankment along the Main River.

Klotz's interdisciplinary, multimedia concept has been described as a sort of "Digital Bauhaus," and enthusiasts have compared the results to the Pompidou Center in Paris. Klotz has persuaded leading artists and theoreticians to join his faculty.

Plainly, the entire ZKM complex is a work in progress, which will require considerable and more or less continuous fine-tuning.

David Galloway is an art critic and freelance curator based in Wuppertal, Germany.

## An Old Master and New Minimalism

**L**ONDON — If exhibitions can ever rate as masterpieces in themselves, this is it. Small, admirably presented, "Recognizing Van Eyck," at the National Gallery until March 15, defines a new genre, the minimalist art show, focusing on a few works by a major master.

Jan Van Eyck is as elusive a figure as his work is enigmatic. He was born, historians presume, at Maaseik, near Maastricht, on a date that has yet to be discovered. The earliest

Souren Melikian

record of his name, in 1422, tells us only that he was a painter in the Hague attached to the ruler of Holland, John of Bavaria. By 1425, Van Eyck had switched to Bruges and Lille in circumstances unknown. His recorded work covers nine years from 1432 to 1439. He died in 1441.

Reading between the lines, one surmises a man of outstanding intelligence — a 16th-century Flemish source quoted by Elisabeth Dhanens in her masterly monograph "Van Eyck," published in 1980, says as much. To Philip the Good, Duke of Burgundy, Van Eyck the court painter was also a trusted adviser. When an embassy was dispatched to Portugal in 1428 to finalize the details of a marriage between the duke and Isabella of Portugal, the painter was included in the party, pointing to a map at ease among the high and mighty.

While archives and later sources give us little more than tantalizing hints at the life story and the personality of Van Eyck, several of the artist's 20 pictures that survive supply startlingly precise indications. The earliest of all is one of the most extraordinary West European paintings in the 15th century.

It did not travel to London, nor should it — "The Adoration of the Lamb" has been standing in the cathedral of St. Bavon (originally the Church of St. John) in Ghent since Day One. The outer frame carries a Latin quatrain in Gothic lettering, now partly erased, which raises several questions. It begins by praising Jan's brother: "The painter Hubert, the greatest one ever noted began [this]. [Carrying] the burden, Johannes [=Jan], the second in art, complied with the wish of Joes Vijd [who, with his wife, commissioned a chapel in the church]." The date, May 6, 1432, follows in the form of a chronogram.

**W**AS Hubert an elder brother acting as a master? We do not know. Even more puzzling is the question of his contribution. Did Hubert physically participate in the painting? Unlikely, Jacques Lascaille remarked in "The Century of Van Eyck," that laboratory analysis reveals neither discrepancies, nor corrections, and that every technical detail is consistent with Jan's fully signed work.

The polyptych is a landmark in European art. Despite the lamb standing amidst groups of worshippers, the central panel, can be seen as the first large European landscape — nature and urban elements in the distance are essential to the com-



The celebrated double portrait in the Van Eyck show.

position. Moreover, when closed, the wings display the inside view of a room without any human presence. On one side, three objects are depicted with peerless precision — a brass lavabo, a basin and a towel hanging from a rail — effectively composing an admirable still life, another first in Europe.

A third genre is represented in the picture, the psychological portrait. A whole gallery of them appears in the four groups, with infinite diversity. These can barely be made out from some distance away in the cathedral, and this is where the National Gallery's show becomes irreplaceable.

It begins with small portraits, each one of which can be focused upon as seldom before. A small likeness that has every appearance of being a self-portrait shows a man turned three quarters looking at the viewer with cool appraising eyes and the thinnest possible smile of repressed irony. His crimson turban has been described as "fanciful" by Western historians but it comes so close to the Iranian turban as to suggest some deliberate adaptation of the idea. Such a conceit, common among painters in the 15th century, but odd in the 15th century, is the earliest example of exoticism in Western dress. It has yet to be explained.

The inscriptions yield nothing on that score: On the lower frame, the painter left his name in Latin majuscules inspired by Roman antiquity and the date "1433, 21 October." On the upper frame, his motto "Als Ich Kan" (As [best] I can) is given in Greek capitals. The choice of the two alphabets,

eminently idiosyncratic, is equally curious. A second portrait poses other riddles. A man of uncertain age without hair, eyebrows or eyelashes stares, frozen in untold sadness. He appears behind a low stone parapet with a French inscription in Roman majuscules "LEAL SOUVENIR." "[in?] faithful memory." Above it, Greek minuscules may be read as "Tymotheos" and, below the French words, a third inscription in Gothic letters says, in Latin: "By deed [?] am: so far, historians assumed it to be missing an m and read *actum*, understood as *donec* in the Lord's year 1432, from Johannes] de Eyck." Was there a man called Tymotheos? Was this painted as a souvenir of a deceased man, to honor a promise? Again, the conundrums remain unresolved.

But all this pales by comparison with the famous double portrait of a man and a woman standing in a room. The man with an extraordinarily ungainly face raises his right hand in a ritual gesture of commitment while extending his left hand to hold the woman's. Some have read this as a "left-hand marriage," implying a morganatic union between persons socially unsuited.

**O**THERS believe the woman is pregnant. The protective gesture with which she covers her body and her expression of smiling dreaminess would lend credence to that assumption, which finds further support in the figure of St. Margaret, protector of mothers-to-be, carved on a high-backed seat.

The mystery does not stop here. On the wall behind the couple, a Gothic inscription states in Latin that "Jan Eyck was here," with the date, 1434 — apparently the painter acted as a witness. Historians believe that the foppish man is a member of the Arnolfini family of tradesmen from Lucques, but hesitate between at least two candidates.

Some details of the image are also intriguing. The precision of the brass chandelier suggests that Jan van Eyck had more than a passing acquaintance with metalwork design. His portrait of a goldsmith, Jan de Leeuw, is another reason for investigating this possibility.

Perhaps, however, this merely goes together with the almost obsessive precision that characterizes all details in his pictures, from brocades to architecture. In one of Van Eyck's most admirable works, "St. Barbara," painted with the tip of the brush in the manner of a pen and brown ink drawing, the church under construction behind the saint bears an uncanny resemblance to the unfinished south tower of the Cologne cathedral as it stood until the early 19th century, as Dahmens discovered. The elevation could be that of a practicing architect.

The mastery of ancient languages, the psychological sharpness, the craftsmanlike accuracy in material details, all go to outline the profile of a supremely literate Renaissance man of many skills.

As one leaves the show, it is hard to resist the feeling that a kind of northern Leonardo is beginning to emerge from the shadows of history.

## Museum Challenges Schiele Subpoena

By Judith H. Dobrynski  
New York Times Service

**N**EW YORK — The Museum of Modern Art has moved to quash a grand jury subpoena requiring it to retain two paintings with disputed ownership that were lent to the museum for its "Egon Schiele: The Leopold Collection" exhibition.

The museum said the paintings, which were borrowed from the Leopold Museum in Vienna, are shielded from seizure or seizure of any kind by the New York state Arts and Cultural Affairs Law, enacted 30 years ago.

The case turns on a difference of opinion on the scope of that statute, which protects cultural loans. Manhattan District Attorney Robert Morgenthau, who issued the subpoena on Jan. 7, just hours before the paintings were to be shipped back to Austria, says the law's protection does not extend to property in a criminal

investigation. But the museum said that the statute was unambiguous and unqualified. "The New York Legislature, using broad and all-encompassing language, provided that any work of art on public exhibition in New York state (or traveling to or from such exhibition) is absolutely immune from any kind of seizure," it said in its motion. In court Thursday, the district attorney's office agreed to respond to the museum's motion Feb. 9. The museum will reply by Feb. 17, and Judge Laura Drager said she would decide by March 5.

The paintings, "Portrait of Wally" and "Dead City," are claimed respectively by the Bondi and the Reif families, who say the works were confiscated by the Nazis.

Dr. Rudolf Leopold, a 72-year-old Viennese ophthalmologist who acquired the works years ago as part of a huge collection, has steadfastly said he obtained the works legally. In 1994, he sold

the collection to an Austrian government-financed foundation, which is building the Leopold Museum.

"I hope that the Museum of Modern Art will win," said Klaus Schroeder, the managing director of the Leopold Museum, reached in Vienna. "This is a sensitive case, but it is not one for the district attorney of New York. We must all get out of that situation."

The museum, in explaining its challenge, asserted its concern for resolving ownership issues surrounding these and other paintings suspected of having been stolen by the Nazis. But it said in a statement: "The merits of the claims relating to these paintings do not require their presence in this venue, and the issuance of the subpoena poses grave risks to the ability of all museums in New York to undertake the kind of exhibitions which are so important and beneficial to the people of New York and the state's visitors."

## BOOKS

**THE SIMPSONS: A Complete Guide to Our Favorite Family**  
Created by Matt Groening.  
Edited by Ray Richmond and Antonia Coffman. 249 pages.  
Paperback, \$15.95.  
HarperPerennial.  
Reviewed by Michael Dirda

**F**OR a long while, I used to scan the TV listings when I felt really tired, hoping to find some program to soothe a troubled soul or tired brain. Alas, almost nothing ever looked appealing enough to spend even 30 minutes of my adult life on. "Melrose Place"? Dramas about emergency rooms? Not for me, thank you.

Then, one frabjous day and long after the rest of the world, I discovered "The Simpsons." In years past I might have given temporary television allegiance to the original "Star Trek," to "Dr. Who" (Tom Baker only), and, long ago, to "The Avengers" and "The Prisoner," but "The Simpsons" has proven better than any of them. And it's only a cartoon — or, more accurately, an animated version of the Human Comedy (complete with recurring characters), a wickedly funny yet oddly affectionate satire of American life at the end of the 20th century. Imagine the unholy offspring of Mad magazine,

Mel Brooks movies, and "Our Town." Like Trekkies or sports fans, addicts of "The Simpsons" know that the show's genius derives from its details. We look hard to see what Bart is scribbling on the blackboard at the opening of each program; we wait for power-mad Mr. Burns to place his fingertips together and murmur "Excellent"; we check to confirm that the guest voice was Meryl Streep or Patrick Stewart or Mandy Patinkin. And though Homer, Marge, Bart, Lisa and Maggie obviously remain the heart of the series, most connoisseurs particularly relish certain minor characters. For instance, and to use his trademark phrase, many of you may remember Troy McClure from such films as "Leper in the Backfield" and "Locker Room Towel Fight: The Blinding of Larry Driscoll." I, for one, yearn for a show that would spotlight the genial charlatan Dr. Nick Riviera, graduate of the Hollywood Upstairs Medical College (altogether now: "Hello, Dr. Nick"): I savor every all-too-brief encounter with the slobbish owner of the Android's Dungeon comic book and gaming shop.

Because so much happens in each Simpsons episode (multiple story lines, a barrage of sight gags, nonstop repartee), it's easy to miss some of the humor — one

reason why the shows bear repeated viewing. Happily, "The Simpsons: A Complete Guide to Our Favorite Family" has been organized with the addict in mind. This bible includes a synopsis of every episode, original air dates, artistic credits (there are more writers than I realized for a show so consistent in tone), brief biographies of every major and minor character (from holier-than-thou neighbor Ned Flanders to Lunchlady Doris), quips and bits of dialogue, stills from each show, and pointers to the "stuff" you may have missed. There's a punctiliously exhaustive list of every circumstance in which Homer says "D'oh!"; a complete Itchy and Scratchy filmography; and double-page spreads devoted to the Treehouse of Horror Halloween specials.

Most valuable of all, I think, are the extensive quotations from each episode. Bart: "Dad, you shot the Zombie Flanders"; Homer: "He was a zombie?" Or this: "Captain's Log Stardate 6051: had trouble sleeping last night... my hial hornia is acting up. The ship is drafty and damp; I complain but nobody listens" (an aged Captain Kirk, in "Star Trek XII: So Very Tired"). Moe answers the phone at his tavern: "I'll check. Amanda Huggenkiss. Hey, I'm looking for Amanda Huggenkiss. Why can't I find Amanda

Huggenkiss?" A sign at Springfield's Worst Western Hotel: "Ask about our sheet rental."

To appreciate fully "The Simpsons: A Complete Guide" you should be familiar enough with the show to hear the distinctive voice of each character, from the gravelly cigarette-raw snickers of Marge's sisters, Selma and Patty, to the Teutonic mumble of action-hero Raper Wolfcastle (star of "Radioactive Man") to the laid-back legato of mobster Fat Tony and the annoyed rasp of teacher Edna Krabappel (she of the grading pen "Old Red"). The guide discloses that Harry Shearer does the voices of Smithers, Ned Flanders, Principal Skinner, Kent Brockman, Otto, Mr. Burns, Dr. Hibbert, Reverend Lovejoy, media psychotherapist Dr. Marvin Monros (another personal favorite), Scratchy and the alien Kang, among many others. Dan Castellana and Hank Azaria include a similar number of characters in their spoken repertoires. Altogether astonishing.

Washington Post Service

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## Banks Set Big Merger In Canada

\$12 Billion Deal Designed To Thwart a Foreign Raid

By Anthony DePalma  
New York Times Service

TORONTO — Canada's largest and third-largest banks agreed Friday to a \$12 billion merger that would create one of the biggest banks in North America and guard against their being swallowed by a foreign company if Canada further deregulates its financial industry.

The announcement that Royal Bank of Canada and Bank of Montreal want to combine sent their shares upward on the Toronto Stock Exchange, even as it raised concerns among consumers, small-business groups and unions that the resulting institution would be too large and too globally oriented to serve its Canadian customers properly. Royal Bank of Canada shares were at 75.60 Canadian dollars (\$52.02), up 3.75, and Bank of Montreal shares were at 67.55 dollars, up 10.30.

The new bank would be the 22d-largest in the world and among the top 10 in North America, with about \$350 billion in assets, 92,000 employees and roughly 17 million customers.

The merger would represent one of the biggest changes ever to Canada's stable banking industry, said Matthew Barrett, chairman of the Bank of Montreal. It will require federal government approval, and Finance Minister Paul Martin said no decision could be made before a task force, already in existence, made recommendations next autumn about possible changes to the country's banking industry.

Canada has only six fully chartered banks, and the country has protected their core businesses against international competition. Although foreign entities have been allowed into many aspects of Canada's financial sector, they are not allowed to accept deposits and offer retail banking services.

Pressure to change that has been building as banks consolidate worldwide and the availability of credit cards, mortgages and on-line banking services from abroad has brought international competition to the Canadian market.

In announcing the deal, the heads of the two banks said they thought it was better to plan for competition now than to wait and be swallowed by a larger international competitor.

"We are creating a Canadian bank that can go head to head with any bank anywhere," Mr. Barrett said. "What we don't plan to be is the corner hardware store waiting for Home Depot to arrive and put us out of business. What we plan to do is give the financial equivalent of Home Depot or Wal-Mart the stiffest competition around."



COURTESY CALL — B.J. Habibie, a close aide of President Suharto of Indonesia, presenting a gift of a gold-plated M-16 rifle to President Fidel Ramos of the Philippines during a visit to Manila on Friday.

## In Indonesia, Broken Dreams

Currency Woes and Drought Take Most From Those With Least to Lose

By Paul Blustein  
Washington Post Service

KARANGASEM, Indonesia — A 42-year-old laborer named Wares sat in his ramshackle shop off the dirt road running through this village in central Java and glumly pondered what the Asian financial crisis will mean for his family.

"Up until now, most of my spare money was going to pay for my kid's school," he said, his mustachioed face clouding. "Now I don't know what I'm going to do."

Last weekend, Mr. Wares — who, like many Indonesians, uses only one name — lost his job as a construction worker building residential housing in a nearby city. He figures he can eke out a living by doing odd jobs, and his wife makes some money selling snacks in a local market.

But the dream of giving his son a high school education — which only one in five children receive — may collapse because he will not have enough to pay for tuition, uniforms and books.

In villages like Karang Assem, and in small towns and cities across Indonesia, the nation's financial problems are starting to inflict real pain on the people. And those hurt most are, like Mr. Wares, the people who can least afford to lose.

For the last six months, the effects of

the crisis have been concentrated mostly in the ether of world financial markets. Indonesian stock prices have tumbled and the nation's currency, the rupiah, has lost more than 80 percent of its value against the U.S. dollar.

Now the crisis is moving into a new and potentially more explosive phase as citizens of the world's fourth most populous country lose their jobs and struggle with higher prices for everyday goods such as rice and cooking oil.

There are no exact figures for how many Indonesian workers have been laid off, but authorities do not quarrel with estimates by labor organizations that the number is approaching 1 million and rising fast. Economic growth, which ran at a robust annual pace of 6 percent to 7 percent over most of the past quarter-century, is officially projected to fall to zero this year, with inflation soaring to 20 percent.

Even these bleak forecasts are viewed as too optimistic by private analysts, because the massive flight of capital has left many companies starved for the cash they need to keep operating.

Adding to the economic nightmare is a severe drought that has turned rice fields brown and ruined crops in many parts of the country.

"Some people who lose their jobs will come back here and work as farmers, but

there isn't that much to farm in this area," said Pujio, a neighbor of Mr. Wares in Karang Assem, whose farmers lament that it has rained only three times in a rainy season that usually begins in November.

The multiple woes afflicting the country mean that safety valves traditionally open to the dispossessed are being closed. Usually, when a village is struck by drought or some other disaster, residents stream to the cities, and when times get hard in the cities, the flow is reversed.

But now, opportunities are dwindling everywhere, including weather neighborly countries such as Malaysia, which is having its own economic problems and is considering shipping home its Indonesian guest workers.

Dennis de Tray, head of the World Bank's country program for Indonesia, worries that many Indonesians are headed for desperate times. "If the drought continues, which it appears to be doing, and the financial crisis doesn't get better, which it doesn't appear to be doing, it's going to be a very delicate period over the next six months to a year," he said.

All of this adds up to a volatile social brew that helps explain why, despite a widely hailed agreement on economic revisions announced Jan. 16 by Pres-

See RUPIAH, Page 13

## Seoul-Tokyo Dispute Over Fish Flares Up

Both Sides Scrap Agreements as Talks Fail

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TOKYO — The South Korean government said late Friday it would end its curbs on fishing in waters off Hokkaido in retaliation for Japan's decision earlier in the day to end a 1965 bilateral fisheries agreement.

Japan notified South Korea that it would scrap the accord after 10 rounds of talks since May 1996 aimed at updating it proved fruitless, Foreign Minister Keizo Obuchi of Japan said.

Foreign Minister Yoo Chong Ha of South Korea said Japan was to blame for any "negative consequences" that might occur as a result of the scrapping of the fisheries pact, Jiji Press reported.

Negotiations broke down over a territorial dispute centering on a tiny group of islands halfway between the two nations.

The islands called Tokdo by South Korea and Takeshima by Japan

are surrounded by rich fishing grounds. Japan and South Korea last year both signed the UN Convention on the Law of the Sea, which authorizes nations to proclaim 200-mile (320-kilometer) exclusive economic zones around their coasts.

The action triggered renewed conflict over rival claims by Japan and South Korea to the islands, which lie within 100 miles of the mainland of both nations.

The treaty that Japan scrapped confines exclusive fishing rights to an area within 12 nautical miles of the mainland. That limit will stay in effect, however, because the treaty is valid for a year after either side decides to abolish it.

South Korea described the Japanese decision as a "very unfriendly action" concerning one of the major treaties signed when the two countries normalized diplomatic ties in 1965.

Mr. Yoo called Kazuo Ogura, the Japanese ambassador, into the Foreign Ministry in Seoul, protested the move and suspended the accord that prohibits fishing in each other's contiguous waters.

The South Korean National Assembly's foreign affairs committee urged Seoul to summon home its ambassador to Japan, warning that the incident would damage bilateral ties and regional peace.

Seoul's Foreign Ministry said Ambassador Kim Tai Zhee in Tokyo would

rush home in response to Parliament's order to attend a session of the committee Monday on the issue.

Fishermen and activists said they planned an anti-Japanese rally in Seoul on Saturday.

The two sides agreed last October to set aside the territorial dispute in their fisheries talks, but they still differ on where to draw provisional fishing waters around the island group.

consulted to the limit but could not work it out," Prime Minister Ryutaro Hashimoto of Japan said. "We have no choice but to exercise our right under the treaty."

Asked about the future of negotiations for a new treaty, Mr. Hashimoto said, "I have not yet fully thought out what will happen now, but I am not optimistic."

Seoul warned that if no new agreement were reached in one year, it would return to the lawless fisheries regime that prevailed before the 1965 treaty.

As Tokyo sought to soothe relations, its chief cabinet secretary, Kanezo Muraoka, said: "There is no change at all in our policy to further expand friendly and cooperative relations between Japan and the Republic of Korea."

"We would like to call on the South Korean side to start consultations as soon as possible."

But the South Koreans were not ready to head back to the bargaining table just yet. Mr. Yoo said that a "cooling-off" period would have to be passed before talks could be resumed.

Mr. Yoo repeated Seoul's demand that Japan immediately free a South Korean trawler that was captured Monday while operating in Japan's newly declared territorial zone.

Japan has arrested and fined several South Korean fishermen operating in its expanded territorial waters, based on a straight baseline declared in July 1996. Japan says the South Korean boats are depleting fish in waters near its shores.

An eighth South Korean fishing boat was seized Tuesday by Japanese maritime police. South Korea has demanded its release. Seoul has yet to recognize the new baseline, which it says constitutes a violation of the 1965 fisheries accord.

(Bloomberg, AFP, AP)

## As Asia's Crisis Clouds the Outlook, Low Interest Rates Are the Silver Lining

By Tom Buerkle  
International Herald Tribune

LONDON — Asia's economic crisis continues to rattle global markets and cloud growth prospects for 1998, but the crisis contains a big silver lining in the form of lower interest rates that promise to cushion growth, particularly in the United States, economists say.

Already, low interest rates are giving a boost to housing markets in the United States and Europe and sending major corporations on a borrowing spree that should fuel business investment. Analysts expect rates to remain low because the sharp slump in Asian economies has reduced the risk of inflation worldwide. The crisis has even led Alan Greenspan, the chairman of the U.S. Federal Reserve Board, to talk of possible deflation.

"Monetary tightening has been put off at least until 1999," said Kim Schoenholtz, chief economist at Salomon Smith Barney, "and we could even see a Fed ease." The same holds true in Europe, where the Bundesbank held German rates steady on Thursday, and a member of the central bank's

council, Hans-Joerg Koebnick, said he saw no need for a rise in rates. "This is a period in which central banks can afford to encourage growth," Mr. Schoenholtz said.

In fact, consumer price inflation in four West German states slowed unexpectedly in January, the government reported Friday, raising speculation the Bundesbank will not raise rates soon.

Britain, meanwhile, said Friday that gross domestic product grew less than expected in the fourth quarter of 1997 — at an annual rate of 3.1 percent — reducing the chance rates in that country will rise in the near term.

Several benchmark long-term interest rates have touched record lows this month, with the yield on 30-year U.S. Treasury bonds dropping to as low as 5.66 percent on Jan. 12, and the yield on Germany's 10-year government bonds hitting 5.03 percent.

Although rates have backed up in recent days, with the 30-year Treasury bond yield at 5.96 percent in late trading

Friday, most analysts say the more subdued growth and inflation picture will keep rates down. Mr. Schoenholtz sees long-term U.S. rates edging below 5.50 percent this year, with German rates falling below 5 percent.

To be sure, low interest rates are no panacea, especially if they are essentially a reflection of economic weakness. A prime example is Japan, where yields on 10-year government bonds fell below 1.9 percent earlier this month, rivaling the lowest levels reached during the Depression in the United States.

Still, most economists expect cheap money will have a positive effect on industrial countries, particularly the United States, where the economy is strong, and rate changes feed through quickly to consumers and companies.

The clearest signs are in the U.S. housing market, where rates on 30-year, fixed-rate mortgages have fallen to an average of 6.95 percent from more than 8 percent 10 months ago. The government reported Thursday that housing starts totaled 1.476 million in 1997, the second-best level in a decade. Mortgage refinancing is running at a record level,

a trend that could save households some \$6 billion in interest this year, said David Lereah, chief economist of the Mortgage Bankers Association of America.

"When you put \$6 billion back in their pockets, consumer confidence really rises," he said.

Ford Motor Co. is predicting sales of new cars and light trucks will top 15 million for an unprecedented fifth year in a row in 1998, Jamie Seguin, a Ford economist, said the benefits should spread far beyond Detroit. "The interest rates themselves aren't as important as what they signify," Mr. Seguin said. "Inflation is low and less variable. Planning is easier, and you can plan further out. If companies can plan further out,

they're more willing to invest."

Companies are certainly moving to capitalize on low rates to raise cheap money. Corporate borrowings in the U.S. bond market are running at a daily rate of \$1.34 billion in January, about 36 percent higher than last year, according to Moody's Investors Service Inc. Globally, borrowings on the international capital markets are up 22 percent, at a daily rate of more than \$5 billion.

In Europe, the interest-rate effect may take longer and be less pronounced than in the United States. In Germany, the housing market remains sluggish because of a huge building boom in the early 1990s. With mortgage rates at a postwar low of 6 percent, Deutsche Bank AG

predicts housing investment will rise only 1.4 percent in Western Germany this year. Consumer and business confidence also suffer from high taxes and heavy labor-market regulations.

Consumers appear more responsive in France. Housing lending jumped by 13.6 percent in October, and retail sales of durable goods were up 8 percent in December from a year earlier, said Eric Chaney, economist at Morgan Stanley Dean Witter. But business investment should rise by a modest 4.5 percent this year, he forecasts, less than expected, because of uncertainty about legislation for a 35-hour work week. "French companies don't know what labor costs will be in the year 2000," he said.

## Madison Avenue's Super Bowl Blitz

High-Tech Firms Join Beer-and-Chips Crowd in Annual Ad Showcase

By Stuart Elliott  
New York Times Service

NEW YORK — Brace yourselves. Madison Avenue is about to unleash its annual all-out assault on the senses known as Super Bowl advertising.

The stakes have never been higher for marketers as they fork out a record average of \$1.3 million for every 30 seconds of commercial time during the NBC broadcast of Super Bowl XXXII on Sunday, up from \$1.2 million last year. For the 30-plus advertisers who are buying spots, that works out to \$43,333 for each second of gilly special effects, humorous shtick, silly animal stunts, slick celebrity endorsements or schmaltzy emotion.

The lineup of companies willing to spend such eye-popping amounts for the 30 minutes or so of commercial time scheduled during the game varies from year to year. This time, mainstays such as makers of cars, fast food and sneakers are giving way to an unconventional combination of advertisers high and low.

The high type is high technology: computer chips and software, telecommunications services and satellite-TV equipment. Nine such companies will be plugging for World Wide Web sites. They include AT&T Corp., Intel Corp., Network Associates Inc., Oracle Corp. and Primestar Partners LP.

Larry Kopald, president at the Los Angeles office of Think New Ideas, said, "Technology is emerging as a fundamental category because we live in an information age, when technology companies are becoming vastly more important to how everyone lives."

Think New Ideas is the agency that is bringing Oracle, which supplies database software, and Network Associates, which helps companies protect their computer systems, to the Super Bowl for the first time. "Was it this way five years ago?" Mr. Kopald asked. "No. Now we're talking to a very broad audience."

There are few opportunities for marketers to appeal to an audience as broad as that of the Super Bowl. Every year, the championship football game is by far the most watched U.S. television show, gathering 130 million to 140 million viewers before the TV for what has become a midwinter orgy of commercial culture.

The mass nature of the Super Bowl audience is responsible for the other type of advertiser popular this year: more than a half-dozen purveyors of packaged foods and beverages such as canned chili, hot sauce, beer, iced tea, snack chips, candies and colas. They include Anheuser-Busch Cos., Coca-Cola Co., Hormel Foods Corp., Mars Inc. and PepsiCo Inc.

"This will be the biggest hit we've ever made in advertising in one fell swoop," said Paul McIlhenny, execu-

utive vice president of McIlhenny Co. in Avery Island, Louisiana, the maker of Tabasco brand hot sauce. McIlhenny will become a first-time Super Bowl advertiser with a commercial by the DDB Needham Dallas unit of Omnicom Group. The humorous 30-second spot, which ran last year only in local markets, was acclaimed for its surprise ending.

Ever since 1984, when Apple Computer Inc. ran a spectacular commercial to introduce the Macintosh computer, viewers have come to realize that the game will be interrupted for what advertisers and agencies consider their best and brightest work.

According to a study by Eisner & Associates, a Baltimore agency that annually tracks consumer attitudes about Super Bowl advertising, 7 percent of adults who will watch the game Sunday say they will do so just to see the ads. That is almost double the number who told the agency the same thing last year.

Even so, it has grown fashionable in recent years to attack the excess of Super Bowl Sunday, dismissing the commercials as a hyperbolic waste of money spent on the erroneous assumption that entertaining viewers for a few fleeting moments will sell products.

"Reaching 130 million people is great," said Jay Schulberg, vice chairman and chief creative officer at Bozell

See ADS, Page 13

## CURRENCY & INTEREST RATES

Cross Rates										Jan. 23									
	\$	£	DM	FF	Yen	Scd	Sw	DK	Other		\$	£	DM	FF	Yen	Scd	Sw	DK	Other
Australia	1.3415	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Belgium	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	3-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Canada	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	6-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
France	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	9-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Germany	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Italy	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	18-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Japan	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	24-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Spain	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	36-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sweden	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	48-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Switzerland	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600										
UK	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600										
US	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600										
Other	1.3600	0.7562	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600										

Libor-Libor Rates										Jan. 23									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month		1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sw	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	Sw	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	DK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

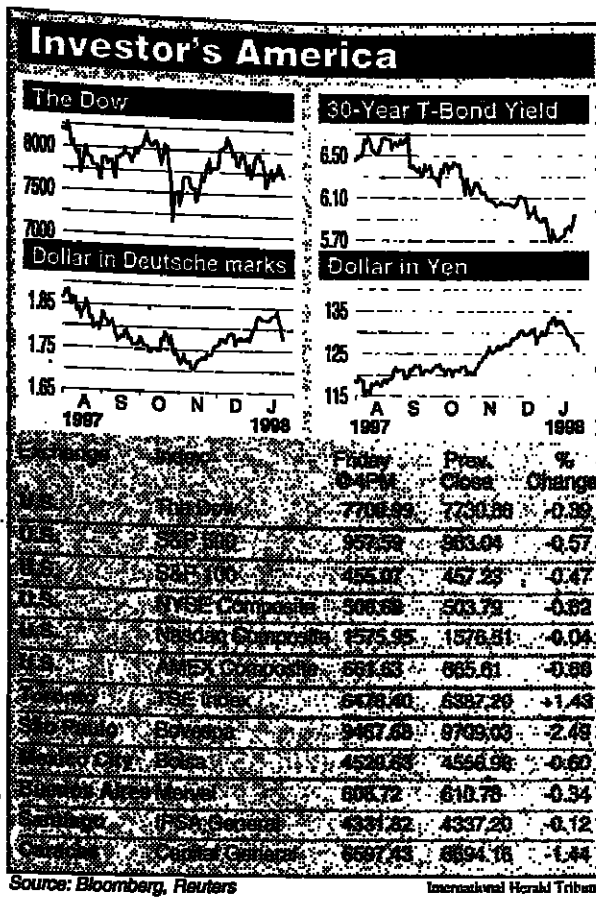
Key Money Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sw	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Forward Rates									
	30-day	60-day	90-day	180-day	360-day	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sw	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Source: Jan. 23 (Australia) Cross Investment Bank (Belgium) Banca Commerciale Italiana (Italy) Banque de France (France) Bank of Tokyo-Mitsubishi (Tokyo) Royal Bank of Canada (Canada) Banque de Paris (Paris) Bank of America (New York) Bank of Montreal (Montreal) Bank of Commerce (Montreal) Bank of Montreal (Montreal



THE AMERICAS



# Raytheon Co. to Cut 8,700 Defense Jobs

**Bloomberg News**

LEXINGTON, Massachusetts — Raytheon Co. said Friday that it would cut 10 percent of its defense jobs and shut 20 facilities as it tries to bring more profit from recently acquired defense companies by cutting costs.

Raytheon, now the world's third-largest aerospace and defense company, said it would dismiss 8,700 workers in its military division. Raytheon expanded the division last year by purchasing the Hughes defense business of General Motors Corp. for \$9.5 billion in December, and the defense business of Texas Instruments Inc. for \$2.95 billion in July.

The moves are a consequence of the end of the Cold War, which prompted the government to urge defense companies to consolidate resources as weapons spending plunged. The Raytheon chairman, Dennis Picard, is also being pushed by investors to cut costs fast so the maker of Patriot missiles can squeeze more profit from defense contracts, boost its stock and strengthen its share of the market, analysts said.

"This is the tail end of the consolidation," Roger Threlfall, a J.P. Morgan analyst, said. "The most critical thing here is to do it quickly. If they delay, then you have other companies that could move in on their competitive position."

Raytheon will also cut 9 percent of the work force in its engineering unit, or 1,000 jobs, and the recent slowdown worldwide for engineering and construction services.

Raytheon's Class B shares fell 87.5 cents to close at \$50.

The company also makes Beech aircraft and provides engineering and construction services, which bring Raytheon's total employment to almost 120,000 workers.

The leaders in the military equipment industry are Boeing Co., the world's biggest aerospace company, and Lockheed Martin Corp., which will reinforce its No. 2 position once it completes its \$11.9 acquisition of Northrop Grumman Corp. this year.

The dozens of defense mergers that occurred since the Cold War's end in 1991 reflect an industry overcapacity that is still being worked off, Mr. Threlfall said. This also explains why Raytheon is consolidating production of such missiles as the Ansaam, or the advanced medium-range air-to-air missile, which was also made by Hughes. All Ansaams will now be built in Tucson, Arizona, as Raytheon shifts production of the device from Massachusetts.

"Capacity is much greater than demand," Mr. Threlfall said.

# Clinton's Woes Take Toll on Dollar

**Bloomberg News**

NEW YORK — The dollar dropped Friday amid worries that the scandal surrounding President Bill Clinton would draw his attention away from more important economic and political issues.

"The Clinton situation is making people lose faith in the government," Markus Rudishauser, a trader at Campbell & Co., said. He was referring to allegations, denied by the president, that Mr. Clinton had had an affair with a White House intern and sought to conceal the matter from investigators.

The dollar fell to 1.7783 Deutsche marks in 4 P.M. trading from 1.8040 DM on Thursday, to 5.9353 Swiss francs from 6.0450 francs and to 1.4393 Swiss francs from 1.4698 francs. It also fell to 125.650 yen from 127.235 yen. The pound rose to \$1.6725 from \$1.6485.

"It's not that the U.S. is prone to huge political upheaval," said Fernando Medina, senior currency trader at Banco Atlantico, "but this makes Clinton's political future uncertain and introduces a sense of disappointment in the worldwide community."

The yen got an added lift from comments by a senior member of Japan's Liberal Democratic Party, who said the government would unveil plans to boost the economy before March 31.

"There's been enough headline information being thrown at people about Japanese government investment proposals to stimulate the stock market and the economy that it's finally starting to take hold," said Rick Porter, manager of foreign exchange sales at Kreditbank in New York.

The dollar also was dragged down after Eisuke Sakakibara, deputy finance minister for international affairs, said the Bank of Japan was considering selling dollars, according to Jiji Press.

Last month, the central bank sold dollars for the first time in five years in an effort to bolster the yen.

Mr. Clinton's woes overshadowed reports showing West German inflation at its lowest annual rate since 1996, bolstering expectations that interest rates in Europe's largest economy would remain steady. The Bundesbank last raised Germany's benchmark securities repurchase rate Oct. 9, to 3.30 percent.

**Canadian Dollar Tumbles**

The Canadian dollar slid to a record low against the U.S. dollar, prompting the Bank of Canada to spend foreign-exchange reserves to try to slow the currency's decline, Reuters reported from Toronto.

The Canadian currency fell to 68.63 U.S. cents, a level unseen since the establishment of the Canadian dollar in 1858, before central bank intervention pushed the currency up to 68.86 cents in 4 P.M. trading.

The Canadian dollar closed Thursday at 68.84 U.S. cents.

Economists said data Friday showing a lack of inflationary pressures in the economy heightened market speculation that the Bank of Canada would not lift interest rates.

## Very briefly:

- Chrysler Corp.'s profit rose 6 percent in the final three months of 1997, to \$852 million, as revenue rose 8 percent, to \$17.5 billion. For the full year, Chrysler earned \$2.8 billion, down 20 percent from \$3.5 billion a year earlier. Revenue for the year edged down 0.4 percent, to \$61.1 billion.
- Apple Computer Inc. disclosed in a yearly financial filing that its U.S. and worldwide market share fell in the quarter ended Sept. 30 to 3.1 percent from 5.2 percent a year earlier.
- Ogden Corp. is leading a group that agreed to spend \$7.23 billion over the next 30 years in fees and investments to operate and improve Argentina's airport system.
- US West Media Group Inc. is holding talks to increase its stake in Telewest Communications PLC, a British cable company, though it said no offer had yet been made. Sources said its US West International unit, which owns 26.7 percent of Telewest, is seeking the 10 percent stake held by Cox Communications Inc. and SBC Communications Inc.
- Northwest Airlines and KLM Royal Dutch Airlines are cutting jobs as part of an agreement for KLM to take over Northwest's operations in Europe while Northwest takes over KLM's in North America. Most of the affected employees have been offered jobs with the partner carrier.

# Silicon Graphics Finds CEO

**The Associated Press**

SAN JOSE, California — Silicon Graphics Inc. named the head of Hewlett-Packard Co.'s computer business as its chairman and chief executive Friday in the latest bid to revive the maker of powerful desktop computers.

The new executive, Richard Belluzzo, succeeds Ed McCracken, who said last autumn he would step down when the company chose a new chief executive. Mr. McCracken, 53, will serve as a consultant to the company through June. The choice of Mr. Belluzzo, 44, was a pleasant surprise to industry analysts, who praised his no-nonsense management abilities and success as Hewlett-Packard's No. 2 executive.

"It is an absolute coup," said Laura Conigliaro, an analyst at Goldman Sachs & Co. "He's a down-to-earth, hands-on management type person — and how many times have we heard over the last seven or eight quarters that Silicon Graphics' problem is inability to execute right?"

Investors also seemed to like the choice. On the New York Stock Exchange, Silicon Graphics' shares closed up \$2.50 at \$13.75.

Silicon Graphics is best known for its workstations that are used to create movie special effects. It also makes servers, or computers that control networks of desktop machines.

But the company has been hurt by competition from Hewlett-Packard and Sun Microsystems and by the increasing popularity of less costly computers.

# White House Scandal Hits Stocks

**Compiled by Our Staff From Dispatches**

NEW YORK — Stocks fell Friday amid lingering concerns that Asia's economic crisis would hurt U.S. companies and jitters over the fallout from allegations that President Bill Clinton had an affair with a White House intern and asked her to lie about it.

The Dow Jones industrial average closed down 29.89 points at 7,700.99, while the Standard & Poor's 500 index fell 5.45 to 957.59. Losing issues outnumbered gaining ones by a 9-to-5 ratio on the New York Stock Exchange.

"Everything seems to be going wrong," said Michael Metz, chief investment strategist at CIBC Oppenheimer & Co. "You have the earnings question, and you have talk of a debt moratorium in Indonesia. Thirdly, you have concern with what's going on in the White House, and now we have a new concern, the weakness in the dollar."

The dollar's weakness also weighed down the Treasury bond market, where the price of the benchmark 30-year issue fell 1/10 of 32 point, to 102 10/32, sending the yield up to 5.95 percent from 5.85 percent Thursday.

"Weakness in the dollar is a clue for foreign investors to sell our market and bring money home," said Neil Toth, a bond manager for the

Ohio Public Employees Retirement System.

U.S. assets have lost favor because investors are speculating that the controversy surrounding Mr. Clinton could shift his attention away from efforts to resolve the economic problems in Asia.

"It's a confidence-shaker," said Peter Hegel, a bond manager at Van Kampen Capital Management.

"Obviously the timing is horrible, in terms of the crisis in Asia. I think it'll weaken his administration's ability to deal with those problems."

Omega was the most active stock, closing down 1/64 at 9/16 after reporting earnings that were below analysts' expectations. The maker of portable disk drives blamed slowing demand in Asia for the weak results.

Other technology stocks fell, including Digital Lightwave, which fell 6/8 to 4 13/16 after the maker of products for transmitting information over fiber-optic networks said it expected to post a loss for the fourth quarter.

In the past week, companies from J.P. Morgan to IBM have warned investors that slumping Asian economies will slow profit growth in the first quarter. Merrill Lynch & Co. said the events in Asia would make

## Strong Sales Lift Profit at Xerox

**The Associated Press**

STAMFORD, Connecticut — Xerox Corp. said Friday its fourth-quarter profit rose 23 percent, lifted by stronger sales of its digital copying machines.

The company posted net income of \$525 million, up from \$426 million a year earlier. Revenue rose 7 percent, to \$5.41 billion. Xerox said the results were driven by strong sales of the company's new digital black-and-white copiers and growth in production publishing, color copying and printing.

Friday's 4 P.M. Close											
The 300 most traded stocks of the day, up to the closing on Wall Street.											
The Associated Press.											
Stock	Sales	High	Low	Latest	Chg	Stock	Sales	High	Low	Latest	Chg
IBM	1,234,567	125.50	124.75	125.00	+0.25	Microsoft	987,654	55.25	54.75	55.00	+0.25
Apple	876,543	45.75	45.25	45.50	+0.25	Oracle	765,432	32.50	32.00	32.75	+0.25
Amazon	654,321	28.75	28.25	29.00	+0.25	Yahoo	543,210	18.50	18.00	18.75	+0.25
Google	432,109	15.75	15.25	16.00	+0.25	Alibaba	321,098	12.50	12.00	12.75	+0.25
Facebook	321,098	10.75	10.25	11.00	+0.25	Twitter	210,987	8.50	8.00	8.75	+0.25
LinkedIn	210,987	7.50	7.00	7.25	+0.25	Slack	109,876	6.50	6.00	6.75	+0.25
Dropbox	109,876	5.50	5.00	5.25	+0.25	Zoom	98,765	4.50	4.00	4.75	+0.25
Zoom	98,765	3.50	3.00	3.25	+0.25	Zoom	87,654	2.50	2.00	2.75	+0.25
Zoom	87,654	1.50	1.00	1.25	+0.25	Zoom	76,543	0.50	0.00	0.75	+0.25

## U. S. STOCK MARKET DIARY

Jan. 23, 1998									
High Low Latest Chg Opt									
<b>Indexes</b>									
Dow Jones	7700.99	7700.99	7700.99	-29.89		NYSE	957.59	957.59	-5.45
Standard & Poors	957.59	957.59	957.59	-5.45		Nasdaq	1375.00	1375.00	-15.00
<b>Most Active</b>									
IBM	125.00	124.75	125.00	+0.25		Microsoft	55.00	54.75	55.00
Apple	45.50	45.25	45.50	+0.25		Oracle	32.75	32.00	32.75
Amazon	29.00	28.25	29.00	+0.25		Yahoo	18.75	18.00	18.75
Google	16.00	15.25	16.00	+0.25		Alibaba	12.75	12.00	12.75
Facebook	11.00	10.25	11.00	+0.25		Twitter	8.75	8.00	8.75
LinkedIn	7.25	7.00	7.25	+0.25		Slack	6.75	6.00	6.75
Dropbox	5.25	5.00	5.25	+0.25		Zoom	4.75	4.00	4.75
Zoom	3.25	3.00	3.25	+0.25		Zoom	2.75	2.00	2.75
Zoom	1.25	1.00	1.25	+0.25		Zoom	0.75	0.00	0.75

## INTERNATIONAL FUTURES

Jan. 23, 1998									
High Low Latest Chg Opt									
<b>Grains</b>									
Wheat	1.25	1.24	1.25	+0.01		Corn	1.15	1.14	1.15
Soybeans	0.85	0.84	0.85	+0.01		Wheat	1.25	1.24	1.25
<b>Metals</b>									
Gold	320.00	319.50	320.00	+0.50		Silver	7.50	7.45	7.50
Palladium	1200.00	1195.00	1200.00	+5.00		Platinum	1000.00	995.00	1000.00
<b>Oil</b>									
Crude Oil	25.00	24.50	25.00	+0.50		Heating Oil	1.50	1.45	1.50
<b>Stocks</b>									
Japan Nikkei	15000.00	14950.00	15000.00	+50.00		Hong Kong	10000.00	9950.00	10000.00
UK FTSE	4000.00	3950.00	4000.00	+50.00		Germany DAX	3000.00	2950.00	3000.00
France CAC	3500.00	3450.00	3500.00	+50.00		Italy MIB	2500.00	2450.00	2500.00

## STOCK INDEXES

Jan. 23, 1998									
High Low Latest Chg Opt									
<b>U.S. STOCK INDEXES</b>									
Dow Jones	7700.99	7700.99	7700.99	-29.89		NYSE	957.59	957.59	-5.45
Standard & Poors	957.59	957.59	957.59	-5.45		Nasdaq	1375.00	1375.00	-15.00
<b>INTERNATIONAL STOCK INDEXES</b>									
Japan Nikkei	15000.00	14950.00	15000.00	+50.00		Hong Kong	10000.00	9950.00	10000.00
UK FTSE	4000.00	3950.00	4000.00	+50.00		Germany DAX	3000.00	2950.00	3000.00
France CAC	3500.00	3450.00	3500.00	+50.00		Italy MIB	2500.00	2450.00	2500.00



...es Take Toll on Dollars

EUROPE

# Bank Sees Euro Start At \$1.0753

**LONDON** — Deutsche Morgan Grenfell has begun forecasting the exchange rates at which the planned single European currency, the euro, will trade against other major currencies, an analyst at the bank said Friday.

In its latest monthly publication, the company's analysts forecast that the euro will start life at \$1.0753, at 140 yen and at 73.53 British pence if European economic and monetary union begins on schedule Jan. 1, 1999.

"We have a responsibility to ensure our publications are up to date, given that we are the biggest European bank in the EMU area," said Jens Dallmeier, economist at Deutsche Morgan Grenfell in Frankfurt. "We regularly publish 12-month forecasts for currencies and interest rates, and this is the first time it reaches into monetary union."

The analysts assume that all European Union countries except Britain, Sweden, Greece and Denmark will launch monetary union at its scheduled outset.

They also assume that conversion rates between national currencies and the euro will correspond to the theoretical market value of the European Currency Unit, or Ecu, in national currencies at the end of 1998. This is because the rules adopted at the Madrid summit in 1995 require the Ecu to be replaced by the euro at a one-to-one rate and for the external value of the unit to be unaltered by the transition to currency union.

The bank said its euro forecasts were based on the expectation the pound will fall to trade at 2.65 Deutsche marks and \$1.47 by the end of the year. It currently trades at about 2.97 DM and \$1.65.

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# EMI's Stock Falls as It Warns of Trouble in Asia

**LONDON** — Stock in EMI Group PLC plunged Friday after the British music company said the economic troubles in Asia would hurt profits.

"Trading in the Asia-Pacific markets, including Japan, was not good," said the company's chairman, Sir Colin Southgate, referring to sales over the Christmas season.

"Consumer confidence in these markets has suffered a severe setback, and this is being reflected in music sales," Asia accounts for nearly a fifth of EMI's global sales, with a substantial portion of that in Japan.

EMI, whose artists include the Spice Girls, Janet Jackson and Garth Brooks, said operating profit would be £25 million (\$41.2 million) lower than expected, prompting its shares to drop 51 pence, to close at 429.

The company did not disclose its previous forecast of operating profit for the current year.

Analysts said they were cutting profit forecasts for EMI by an average 10 percent. Expectations for pretax profit now range from £300 million to £315 million, based on a survey of five analysts. EMI had pretax profit of £380 million in the year ended March 31, 1997, on sales of £3.4 billion.

"The problem lies in Japan," said Jason Crisp, an analyst at Societe Generale, "where the market is weak, they have failed to get their cost base under control, and their position is weakening because they've got a poor line-up of acts."

EMI's warning helped drag down shares of other record companies, including PolyGram NV, which closed in Amsterdam at 92.40 guilders (\$45.60), down 4.10.

EMI plans to consolidate record labels and reduce staff in the Asia-Pacific region, Finance Director Si-

mon Duffy said. He said the Japanese market "appears to be down by about 8 or 9 percent, and we would like to reduce the cost of operations in Japan."

The global market for recorded music has suffered sluggish sales in the last two years after it nearly tripled, to \$40 billion between 1986 and 1995. The maturing of the compact disk market has contributed to the slowdown, analysts said.

"The situation is actually a lot worse than anyone realizes," said Michael Woodcock, an analyst at Nikko Europe PLC, of EMI. "As far as the share price is concerned, it's probably too late to sell but too soon to buy," he said, adding that EMI shares look cheap relative to competitors such as PolyGram.

EMI said it would need to make additional provisions to cover advance payments to artists, due to

# Porsche's Net Fails to Meet Expectations

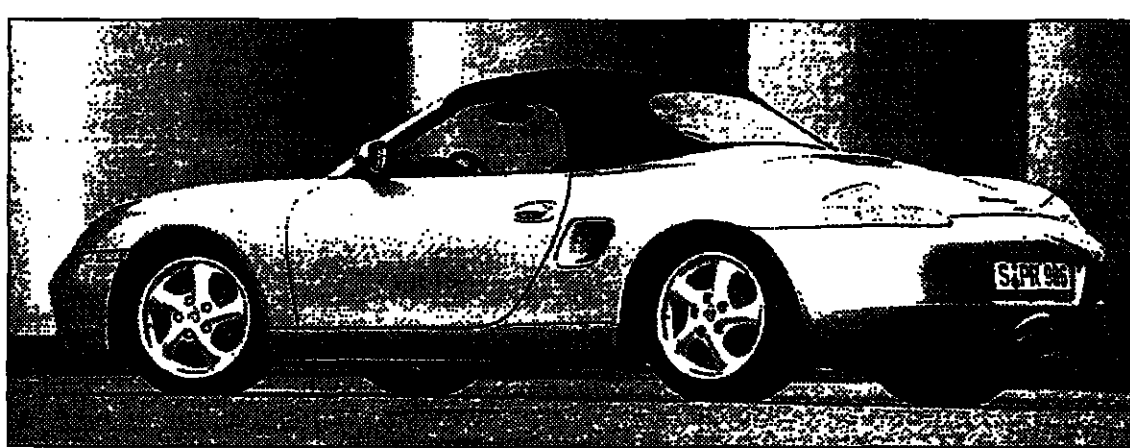
**STUTTGART** — Porsche AG projected Friday that its profit in the first six months of its financial year would rise a less-than-expected 69 percent as production of its 911 sports car slowed for the introduction of an updated model and its less expensive Boxster dominated sales.

According to preliminary figures, net profit rose to 65 million Deutsche marks (\$36 million) in the six months ending next Saturday from 38.4 million DM a year earlier, the luxury sports-car maker said.

Six analysts surveyed by Bloomberg News had expected a rise to about 80 million DM.

Along with other German car-makers such as Daimler-Benz AG and Bayerische Motoren Werke AG, Porsche is benefiting from a seemingly unquenchable demand for luxury sport cars at home and abroad. Demand for Porsche's two models, the Boxster and the redesigned 911, are so great that some customers must wait a year.

"The problem with the first half is that the average price for their cars was



The Boxster, the Porsche with a price tag of 75,000 DM (\$41,600) that dominated first-half sales.

dominated by the Boxster, which is much cheaper than the 911," said Juergen Heinz, an analyst at Westdeutsche Landesbank in Dusseldorf. "This effect will be canceled out in the second half as 911 sales pick up."

The Boxster has a price tag of about 75,000 DM, compared with about 135,000 DM for the 911. In the first half, Porsche sold 6,800 of its 911s and 8,100 Boxsters.

Porsche shares fell 17.50 DM to close at 3,197.50.

Separately, Wendelin Wiedeking, the chief executive, gave his strongest indication yet that Porsche would go ahead with plans to produce an off-road vehicle, saying it "would fit excellently into our brand."

# Fiat Successor Wins Blessing

**ROME** — The man selected to take Fiat SpA into the next century, Paolo Fresco, received the blessing Friday of Giovanni Agnelli, patriarch of the main shareholders, the Agnelli family.

Mr. Fresco is "the best," Mr. Agnelli told Il Sole 24 Ore newspaper.

But Mr. Fresco, deputy chairman of General Electric Co. in the United States, said he would be unable to replace Cesare Romiti until November. "Before then I cannot. I have specific commitments to General Electric," he told the newspaper MF.

Mr. Romiti is to resign in June, and sources said that the vice president of Fiat, Gian Luigi Gabetti, might take control in the interim.

Mr. Agnelli thanked Mr. Romiti "for all of the important and very difficult things accomplished for Fiat during a period of 25 years."

Asked if he would change the company's management team, Mr. Fresco said that he would come to Fiat alone and that he "would like to work with the existing team." Mr. Fresco became a director of Fiat in June 1996 on a recommendation from the Agnelli family, the biggest shareholder.

# Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
4500	5400	3100
4300	5200	2900
4100	5000	2700
3900	4800	2500
3700	4600	2300
3500	4400	2100
1997	1997	1997
ASO N D J	ASO N D J	ASO N D J
Exchange	Index	Friday Close
Amsterdam AEX	933.20	933.01 -0.21
Brussels BEL-20	2,512.68	2,525.65 +0.51
Frankfurt DAX	4,297.31	4,220.25 +0.40
Copenhagen Stock Market	880.12	889.49 +0.09
Helsinki HEX General	3,422.48	3,441.09 -0.54
Oslo OBX	648.51	648.43 +0.28
London FTSE 100	5,181.40	5,263.10 -1.39
Madrid Stock Exchange	678.85	685.24 -0.93
Milano MIBTEL	181.89	183.81 -1.04
Paris CAC 40	2,968.15	2,968.37 -0.74
Stockholm SX 18	3,236.20	3,241.81 -0.17
Vienne ATX	1,298.81	1,298.23 +0.21
Zurich SPI	3,968.60	3,946.96 +0.55

Source: Teletext International Herald Tribune

# Very briefly:

- Chub Mediterranee SA shares fell 4.9 percent, closing at 456.70 francs (\$75.55), down 23.30, after a report in Le Point magazine said the French retractor operator would post a record loss of 1.3 billion francs for 1997. The company declined to comment.
- France is expected to give its go-ahead next week to the takeover of Assurances Generales de France SA, France's second-largest insurer, by Allianz AG of Germany, industry sources said.
- The European Commission is deepening its investigation into the proposed digital pay-TV alliance between the German media giants Bertelsmann AG and Kirch Group because of fears it would give their jointly owned company Premiere a lasting monopoly.
- Ecuador broke ranks with the United States, saying it was prepared to accept the European Commission's plans to revise the European Union's banana import system after a World Trade Organization ruling that the current system violated global trading regulations.
- The International Air Transport Association said major airlines had agreed to use the European single currency, the euro, in sales and ticketing operations starting Jan. 1, 1999, when the currency is due to be launched.
- Ferrari SpA sold a record 1 trillion lire (\$588 million) of its luxury sports cars in 1997, an increase of more than 14 percent in value from 1996, its chief executive, Luca Cordero di Montezemolo, said. In volume terms, Ferrari sold 3,581 cars last year, an 8.1 percent gain from the previous year.
- Electrohub AB of Sweden agreed to sell its agricultural equipment unit to Kongskilde Industries A/S of Denmark and sold its interior-design unit to Charterhouse SA of France as part of a plan to cut costs. Electrohub, Europe's largest appliance maker, did not disclose financial details of either transaction.

# WORLD STOCK MARKETS

Friday, Jan. 23  
Prices in local currencies.  
Teletext

High	Low	Close	Prev.
Amsterdam AEX	933.20	933.01	-0.21
Brussels BEL-20	2,512.68	2,525.65	+0.51
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# The Trib Index

Jan. 1, 1992 = 100  
Level Change % change year to date % change

World Index	Level	Change	% change	year to date % change
World Index	172.70	+0.08	+0.05	+0.34
Regional Indices				
Asia/Pacific	87.85	-0.90	-0.91	+1.85
Europe	195.48	+1.37	+0.70	+1.76
N. America	216.05	-1.75	-0.83	+0.03
S. America	135.69	+0.07	+0.05	-1.12
Industrial Indices				
Capital goods	212.01	+0.74	+0.35	+2.53
Consumer goods	214.30	+0.28	+0.13	+2.18
Energy	182.99	-5.98	-3.18	-6.45
Finance	124.08	+0.77	+0.62	+0.91
Miscellaneous	136.70	-3.85	-2.74	-8.79
Raw Materials	163.92	+2.36	+1.46	+1.99
Services	177.20	+1.05	+0.60	+1.86
Utilities	167.08	+1.73	+1.05	+1.03



**Friday's 4 P.M. Close**

**Fridays 4 P.M. Close**  
The 2,600 most traded stocks of the day.  
Nationwide prices not reflecting late trades elsewhere.  
*The Associated Press.*

[illegible]

## LIBERALIZATION. DEREGULATION. PRIVATIZATION.

- PRESIDENT MOHAMMAD HOSEI MI BAKA  
interview with the Chicago Tribune.  
quoted in the Egyptian Gazette, October 28th, 1956

For further enquiries, please contact:  
Press and Information Department, Ministry of Foreign Affairs,  
Corniche El-Nil Street, Maadi, Cairo. Tel: 20-2-574-7834 Fax 20-2-574-7248.

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1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

**Continued on Page 14**

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ASIA/PACIFIC

# Poor Want Chaebol to Suffer, Too

Workers Urge Wealthy To Hand Over Money

By Mary Jordan  
Washington Post Service

SEOUL — Plans by leaders of South Korea's largest conglomerates to donate personal assets to help deal with the country's economic problems have been dismissed by angry working people and by political analysts as a pittance.

"These company heads exploited their workers and got rich off the little people," said Lee Hi Ho, a businessman hit by the crisis. "It's their duty to give back some of the money."

"There is strong and growing resentment toward the chaebol heads," said Lee Jung Hoon, a political science professor at Yonsei University in Seoul, referring to the leaders of the country's business conglomerates.

"People want the industrial heads to demonstrate their share of the suffering."

[A militant South Korean trade union demanded Friday that owners of the chaebol quit management and called their reform programs "deceitful." Reuters reported from Seoul.]

[The Korea Confederation of Trade Unions also said any moves to initiate layoffs without meeting union demands would face enormous resistance.]

[Bae Suk Bum, acting president

of the confederation, said, "Chaebol owners and their children must resign from management, make their personal assets public and donate them to pay companies' debts." Mr. Bae said the labor group would organize rallies starting in early February to promote its cause.]

Samsung Group said Wednesday that its chairman, Lee Kun Hee, would give up most of his \$6.5 million annual salary and sell \$75 million of property holdings — keeping only his and his mother's homes — to invest in his ailing company and "share the pain of the nation."

Earlier in the week, Hyundai Corp. said it would shelve multibillion-dollar domestic and overseas business ventures and speed efforts to cut unprofitable units. LG Group also pledged to dispose of unprofitable units but did not say which ones.

But the announcements by the chaebol leaders, far from convincing South Koreans that they were ready to share the nation's economic pain, simply added to the growing pressure on the men who run South Korea's biggest companies to forfeit some of their enormous wealth.

Mr. Lee said some of these titans had amassed so much money that many felt that these family-run companies, along with the government, had orchestrated an "institutionalized theft of taxpayers."

"So he gives up 90 percent of his salary," Mr. Lee said. "These guys don't need a salary."

A growing number of ordinary



A student in Seoul demonstrating Friday for the dissolution of the chaebol.

people, faced with unpaid bills or their small businesses going bust, are trying to sell their homes to raise cash.

Mass layoffs are expected throughout South Korea in coming months, and millions of workers have been notified in recent weeks about sharp pay cuts. The most militant unions are asking that the heads of the conglomerates be removed from their businesses and replaced by professional managers because millions of livelihoods are at stake.

The chairman of Lotte Group, Shin Kyuk Ho, said last week that he would invest \$10 million of his own money to bolster his company, and comparable announcements from other chairmen are now expected.

President-elect Kim Dae Jung made it clear Tuesday that he was not pleased with the restructuring

plans announced by Hyundai and LG Group; the wealthy heads of these conglomerates did not offer to use their personal assets in the recovery plan. Mr. Kim was quoted by aides as calling their plans "hollow" and "cosmetic."

## Labor Seeks a Role

The Korea Confederation of Trade Unions demanded that labor participate in management, that mutual debt guarantees among chaebol affiliates be abolished and that the chaebol start issuing consolidated financial statements covering all their units. Reuters reported from Seoul.

Last January, the union successfully stalled labor legislation legalizing layoffs by staging almost a monthlong strike that paralyzed major South Korean industries.

# Two Giants In Japan to Cooperate

Sony and Fujitsu Seek Cost Cuts on Chips

Compiled by Our Staff From Dispatches

TOKYO — Sony Corp. and Fujitsu Ltd. said Friday they would cooperate on a new type of chip to save on development costs, now that many Japanese electronics makers face the prospect of lower profits in the current financial year amid falling chip prices.

The two companies will work together to develop so-called system-on-a-chip technology that can be widely used for digital cameras and other information-related appliances, Kazuo Suzuki, a Sony spokesman, said.

Under the basic agreement, a new production line will be set up at Fujitsu's plant in Mie, in western Japan, with operations slated to begin in the autumn of 1999, the spokesman said.

"We want to put new technology into business use as early as possible by sharing the huge development cost for new chips," he said.

The two companies said it had become increasingly difficult for them to pursue technology innovations alone because of rising research-and-development costs, the need for large capital investment and the larger scale of chip projects.

Analysts said it made sense for Sony and Fujitsu to share the cost of making chips to better match semiconductor technology to product specifications.

"Fujitsu will get a better grasp of what its products need, and we've got high hopes Sony will enhance its ability to develop digital household-use electronic products through this," said Masami Ito, an analyst at the Daiwa Institute of Research Ltd. "It's the perfect combination."



The business daily Nihon Keizai Shimbun said Friday that the total investment for the project would be 100 billion yen (\$785.9 million), put up in equal parts by Sony and Fujitsu.

It said Sony would end its current relationship with Oki Electric Industry Co. because of the new arrangement with Fujitsu.

Sony declined to confirm the value of the investment.

(Reuters, Bloomberg, AP)

## Investor's Asia

Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225	
					
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A S O N D J		A S O N D J		A S O N D J	
1997 1998		1997 1998		1997 1998	
Exchange	Index	Friday Close		Prev. Close	% Change
Hong Kong	Hang Seng	8,920.20		8,883.73	+0.41
Singapore	Straits Times	1,259.83		1,269.49	-0.76
Sydney	All Ordinaries	2,623.30		2,599.40	+0.92
Tokyo	Nikkei 225	16,789.11		16,405.69	+2.34
Kuala Lumpur	Composite	558.57		575.21	-2.89
Bangkok	SET	422.87		420.80	+0.49
Seoul	Composite Index	486.96		483.99	+0.59
Taipei	Stock Market Index	Closed		8,085.47	-
Manila	PSE	1,704.07		1,707.61	-0.21
Jakarta	Composite Index	450.98		443.53	+1.68
Wellington	NZSE-40	2,245.92		2,244.82	+0.04
Bombay	Sensitive Index	3,351.21		3,380.30	-0.86

Source: Telekurs      International Herald Tribune

Source: Reuters

## Very briefly:

- Taiwan's average jobless rate rose to a 12-year high of 256,000 people, or 2.72 percent of the work force, last year. The rate was up 0.12 percent from 1996 despite an economic recovery.
- Shinwa Co., a Japanese maker of car-audio equipment, will invest \$24 million to establish a presence in Europe, including \$12 million in a factory to manufacture audiocassette deck parts at a new subsidiary in Hungary.
- Australia's government pushed for its airlines to cut fares and provide more flexibility for tourists coming to Australia to try to increase tourism amid the Asian economic crisis.
- The Tokyo Stock Exchange began trading an electric-utility index futures contract based on some of Japan's best-known industrial names in the hope of drawing business from the exchange in Osaka, the country's traditional bastion of derivatives trading.
- Singapore would lose credibility if it pegged its currency to the fluctuating U.S. dollar, Khoo Hoe, an official of the Singapore Monetary Authority, said. He cited what he called unfavorable consequences for the Hong Kong dollar, which is pegged to the U.S. dollar.
- Papua New Guinea has offered Qantas Airways Ltd. a management contract to run the country's financially troubled national carrier, Air Niugini.

## Action to Aid Tokyo Stocks Is Seen

Bloomberg News

TOKYO — Japan may announce measures to prop up stock prices before March 31, the end of the financial year for most Japanese companies, a senior member of the ruling Liberal Democratic Party said Friday.

Taku Yamashita, head of the party's policy-affairs research council, said the measures may include easing restrictions on companies buying back their own stock. The government may also purchase companies' preferred shares to help increase their capital, he added.

# Hong Kong Market's 'Virus' Scares Off Small Investors

Bloomberg News

HONG KONG — Simsen Metals (Holdings) Ltd. lost almost 90 percent of its market value in just two days as it tried to quell speculation that its Hong Kong brokerage was in trouble.

Another Hong Kong company, Jet Air International Group Ltd., fell 9 percent Friday, bringing its losses to 47 percent this week, after disclosing that its chairman pledged half the company's stock to cred-

itors. And, as they have for days, small finance companies such as Mansion Holdings Ltd. tumbled on the Hong Kong stock exchange.

Corporate Hong Kong has tried for a week to persuade investors that, unlike its counterparts elsewhere in Asia, it can fend off defaults and bankruptcies.

But some small companies, which make up the bulk of the 657 publicly traded companies in Hong Kong, are not having much luck

and their stocks are tumbling.

"It's like the bird flu," said Simsen's general manager, Felipe Tan, referring to the deadly avian virus that has frightened Hong Kong residents and deterred visitors. He said he could not explain his company's stock plunge.

The failure this month of Pergrine Investments Holdings Ltd. and another brokerage, CA Pacific Securities Ltd., has raised concern among investors about the health of

companies across Hong Kong.

The financial crisis that has swept the region since August is finally fraying the nerves of many individual investors here, who are among the biggest holders of small-capitalization stocks.

"There's no logic to what's happening at the moment except panic," said Howard Davidson, deputy head of investment banking at Credit Agricole Indosuez in Hong Kong.

# INDONESIA: Country Near Insolvency as Banks Freeze Lending

Continued from Page 1

Research and Technology Minister B. J. Habibie, might become vice president.

Investors rejected those moves amid concerns that coddled monopolies, especially those controlled by Mr. Suharto's family, would be maintained.

Also weighing on the currency has been the absence of a plan to resolve the question of Indonesia's corporate debt, which has ballooned with the fall in the rupiah. International bankers say they hope Japanese banks, Indonesia's biggest creditors, will step forward to provide a debt restructuring model.

The rupiah's decline pulled down other Southeast Asian currencies Friday, beginning a downward spiral wherein investors avoid putting their money into the region for fear their investment value could be eroded by the currencies' decline. As they pull their investments out, the currencies tumble further.

The Thai baht, the Singapore dollar and the Philippine peso all fell Friday.

The IMF, meanwhile, is drawing criticism from some U.S. Republicans.

The Senate majority leader, Trent Lott of Mississippi, said Friday that Congress should be cautious about providing more funds for the IMF because there were "real problems about IMF policies and leadership."

A senior Treasury Department official, however, warned that without the IMF's intervention the Asian economic crisis would have more serious consequences for the United States.

This is real and it affects America and there's a real case for action," said Timothy Geithner, the assistant Treasury secretary for international affairs.

President Bill Clinton is asking Congress to provide up to \$18 billion to help replenish IMF accounts that have been depleted by the bailout of Asian economies.

The money, requested by the IMF, would in essence be an insurance policy. The organization still has billions of dollars on reserve, along with substantial gold reserves it could tap.

"It's true that we do not have an immediate need for additional liquidity," the IMF's managing director, Michel Camdessus, told reporters last month.

Nevertheless, Mr. Geithner said, the administration believes the IMF's normal lending resources have now fallen to a level "where it's prudent to replenish."

Delay could be dangerous, given the rapid spread of the Asian crisis this autumn, Mr. Geithner said. Should the contagion continue, he said, it will "reduce the competitiveness of American companies, reduce demand for American exports and reduce the earnings of American firms."

(Bloomberg, AFP)

# ADS: An Industry Gears Up for Its Annual Super Bowl Showcase

Continued from Page 9

Worldwide in New York, a unit of True North Communications. "But reaching 130 million people and leaving no lasting impression is a mistake."

But as it becomes increasingly difficult for advertisers to reach an attentive mass audience, the chance to hawk one's brand to almost half the country on a single evening is often too enticing to pass up.

"It's a lot of money," said Bob Kraut, advertising director for the Pontiac-GMC division of General Motors Corp. in Detroit, which plans to show commercials for the Pontiac Grand Prix and Firebird.

"But if you run a couple of spots in a highly rated Thursday night sitcom, that would pretty much add up to what you're paying for the Super Bowl."

One technology advertiser that has returned for a second Super Bowl is Intel, which ran commercials last year to introduce the "Bunny People" characters, based on the workers who wear special suits to assemble microprocessors.

This time, Intel will conduct an unusual on-line vote in commercials created by the Euro RSCG DSW Partners unit of Havas Advertising. In a 60-second spot in the second quarter, viewers will be asked to visit the Intel Web site (www.intel.com) to choose between two suspects in a make-believe cybercrime: borrowing an Intel Pentium II processor from a "clean room."

The outcome will be revealed in a 30-second spot in the fourth quarter.

"It's very costly, but introducing the 'Bunny People' on the Super Bowl gave

them instantaneous exposure and attention," said Dennis Carter, senior vice president for marketing at Intel.

"It's hard to tell how many people will vote" on Sunday, Mr. Carter said, "but the message we're sending — more than the ad itself — is that mixing the media of television and the Web is a pretty exciting direction for the future."

Contrary to popular belief, viewers' interest in the Super Bowl remains fairly constant throughout the game. FCB Media Research in New York analyzed viewing patterns for Super Bowl games in this decade. It found that ratings for the fourth quarter of the game were more volatile than those for the other quarters, but in five of the eight Super Bowls of the 1990s, the fourth-quarter rating has been higher than the game's average rating.

# RUPIAH: Indonesia's Financial Pain Trickles Down to Its People

Continued from Page 9

ident Suharto and the International Monetary Fund, investors have remained skittish of the rupiah. The currency has fallen about 59 percent since last week's announcement.

In recent days, riots broke out in several towns in East Java as townspeople looted shops they accused of charging excessive prices for staple foods. Authorities are bracing for more violence.

On Tuesday, city officials in Jakarta were quoted in the local press as declaring their intention to strictly enforce a ban on Chinese New Year celebrations because of fears that ostentatious displays by the wealthy ethnic Chinese minority would spark violence by resentful members of the Muslim majority.

The government, hoping to keep armies of the unemployed from gathering in big cities, has offered incentives for jobless people to stay in their home villages when they visit their families for

the traditional end-of-Ramadan feast starting this coming weekend. The national railway is selling one-way tickets home from Jakarta at a 70 percent discount to people who have lost their jobs in the capital.

Up the mountain road from Karang Asem, in the village of Kemiri, a worker named Marwanto, 27, had just returned a week ago — not from Jakarta, but from Kalimantan on the island of Borneo, where he worked for two years in a plywood factory before being laid off along with 500 others.

Mr. Marwanto had not heard of any jobs opening up, so he will farm a little on his family's land, he said, and live off money he saved from his old job. But asked how long his savings will last, he grew morose and put his head in his hands. "I don't know," he said. "Maybe it will last a month — if I eat with my family all the time."

Even in places not affected by drought, ordinary Indonesians are being

forced to tighten their belts. Just off the main road in Puncak, a town south of Jakarta, about 15 *ojek* drivers — young men who sell rides on their motorcycles — were sitting around a shelter trying to keep out of the broiling sun. Mulyadi, 26, said that in the past couple of months, his average daily income has fallen roughly by half, to around 5,000 rupiah — 38 cents at current exchange rates.

"Since the price of everything is going up, people are walking instead of taking *ojek*," he said, adding that he will have to forgo favorite foods he was planning to buy for the end-of-Ramadan feast, such as peanuts, which have doubled in price.

The price of rice, which is eaten with almost every meal, rose 26 percent last year, and cooking oil, which is widely used in most homes, is up more than 100 percent in some areas. The problem stems from the drought and the fall in the rupiah, which has driven up the cost of imported products.

The real estate game in the New Europe is about to begin... Be there!

# Global Investors in European Real Estate

February 4, 1998

Paris, France  
In association with  
International Herald Tribune

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**Friday's 4 P.M.**

The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
The Associated Press.

[illegible][illegible]

Stock	High	Low	Close	Change
Am. Tobacco Co.	100	98	99	+1
Am. Sugar Ref.	100	98	99	+1
Am. Cotton Oil	100	98	99	+1
Am. Petroleum	100	98	99	+1
Am. Lumber	100	98	99	+1
Am. Paper	100	98	99	+1
Am. Glass	100	98	99	+1
Am. Rubber	100	98	99	+1
Am. Steel	100	98	99	+1
Am. Coal	100	98	99	+1
Am. Iron	100	98	99	+1
Am. Copper	100	98	99	+1
Am. Zinc	100	98	99	+1
Am. Lead	100	98	99	+1
Am. Tin	100	98	99	+1
Am. Silver	100	98	99	+1
Am. Gold	100	98	99	+1
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# If Philoe

**Friday's 4 P.M. Close**

(Continued)

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12 Month	High	Low	Stock	Div Yld	P/E	100 Days	High	Low	Percent	Open
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1955-56	100.00	75.00	100.00	1.00	10.00	100.00	100.00	100.00	100.00	100.00
1956-57	100.00	75.00	100.00	1.00	10.00	100.00	100.00	100.00	100.00	100.00
1957-58	100.00	75.00	100.00	1.00	10.00	100.00	100.00	100.00	100.00	100.00
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Deflation



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in Indonesia

# If Philosophers Managed Portfolios, What Would They Be Worth?

By Conrad de Aenlle

## General Electric Makes the Grade With 3 Out of 6 Great Thinkers

INVESTORS IN search of stock-picking wisdom often turn to modern sources, people with names like Lynch, Templeton, Buffet. But what would they learn if they could consult some of history's great theorists?

The Money Report asked Don Sull, a professor of strategic and international management at London Business School, to pick half a dozen philosophers whose beliefs, ethics and teachings could be encapsulated into modern investment profiles. The only provision was that the philosophers should be as diverse in geography, historical period and school of thought as possible. Mr. Sull and a pair of investment advisers then created stock portfolios to fit each philosopher.

Mr. Sull's six are: Sun Tzu, the Chinese military strategist who lived in the early 4th century B.C. but whose ideas about conflict are still studied today by armies and corporations; Marcus Aurelius, the 2d-century Roman emperor and a leading Stoic philosopher; Niccolo Machiavelli, the Italian political theorist of the Renaissance whose legacy is the adjective derived from his name that is used to describe pragmatic, amoral leaders; Benjamin Franklin, 18th-century inventor, publisher, diplomat and American revolutionary; Friedrich Nietzsche, whose philosophy of the *Uebermensch*, or Superman, in the 19th century, a paean to individual self-actualization through hard work, was misunderstood and associated with Hitler; and Mao Zedong, a founder of the Chinese Communist Party and leader of China from the Communist state's founding in 1949 until his death in 1976.

In picking stocks, the analysts were asked to concentrate on the philosophers' beliefs and not on their personal financial circumstances, aspects normally taken into consideration when planning a client's investments. No doubt Marcus Aurelius and Franklin would have had greater resources at their disposal than Mao, and it was not immediately known what marginal tax bracket Sun Tzu was in and whether he had a mortgage with which to contend.

AS SUN TZU'S "The Art of War" makes clear, he was not a proponent of confrontation. "To overcome others' armies without fighting is the best of skills," he advised.

As an investor, Mr. Sull said, Sun would probably prefer companies that have leadership positions. "He believed in preempting your competition, so he would like monopolists — but then who wouldn't?" he said.

A reading of "The Art of War" suggests that Sun would favor companies that expand into new territory and new lines of business only when they can exploit weak competitors with minimal expenditure and little chance of failure. "Good warriors take their stand on ground where they cannot lose and do not overlook conditions that make an opponent prone to defeat," he wrote.

In trying to fit Sun's philosophy into investing, said Roger Noddings, head of international asset allocation at James Capel Investment Management, a unit of HSBC Holdings, "the principle to look for seems to be unassuming exploitation of a strong business position."

"Microsoft would be a good example, but for recent friction with the Justice Department," he added.

Microsoft Corp., the leading maker of operating software for personal com-



The most difficult things in the world must be done while they are still easy.  
Sun Tzu  
Might have picked: Nokia

puters, has so vanquished its opposition that the U.S. government is intensifying a multiyear antitrust action against it. On Thursday, Microsoft reached a partial agreement with the government. The company said that personal-computer makers could delete Microsoft's Internet browsing software from the basic package that comes with new machines.

Another example of a company Sun might have owned, Mr. Noddings said, is Honda Motor Corp., "which shares the motorcycle market with a handful of competitors."

Sun put great store in strong leadership that fosters cooperation and an adherence to a well-defined strategy. "Good warriors seek effectiveness in battle from the force of momentum, not from individual people," he wrote.

He also advocated long-term planning when he said that "the most difficult things in the world must be done while they are still easy."

Nokia Oy might have been following his advice when it began streamlining its business early in the 1990s in order to concentrate on what it thought would be a key growth industry of the future.

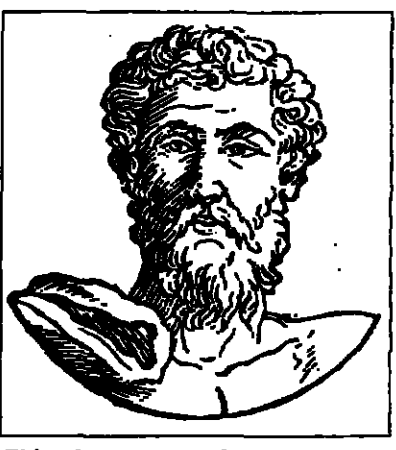
"Sun Tzu appreciated the importance of communication," said Daniel Broby, head of international research at the London brokerage Quilter & Co. "I think he would have been attracted to the wireless-communication market and been impressed by the strategy of Nokia in Finland."

"Once a diverse conglomerate, Nokia refocused itself on one product," he added. "Its technological excellence in the portable-telephone business has resulted in market leadership at the expense of competitors less willing to innovate."

MOST ROMAN EMPERORS were educated by Stoic philosophers, and Marcus Aurelius took their teachings to heart more than most. His "Meditations" is an essential Stoic text.

The Stoics, originally Greeks of the 4th century B.C., were advocates of instruction, Mr. Sull said. Their motto was "either instruct or endure." Therefore, Mr. Sull suggested that Marcus Aurelius might like plays in the education and training fields.

In terms of management, he said, the emperor would prefer companies with clear, concrete goals that are serious about strategic planning. Also, because of his love of simplicity, he would shun conglomerates and companies whose organization is hard to fathom. If he



Either instruct or endure.  
Marcus Aurelius  
Might have picked: Nestle



A prince does well to surround himself with serious advisers.  
Niccolo Machiavelli  
Might have picked: Microsoft

were inclined toward short-selling, a good candidate might be Rupert Murdoch's News Corp., renowned for its Byzantine organizational structure.

For Mr. Noddings, "Stoicism brings to mind the Swiss multinationals — dull, worthy, enduring and successful." Some examples, he said, were Nestle SA, the food-based conglomerate, and the pharmaceuticals concern Roche Holding AG.

Several of those adjectives, especially the last, aptly describe Warren Buffett, chairman of Berkshire Hathaway Inc. Mr. Broby suggested that the Roman emperor and the modern-day sage of Omaha would be of like minds when picking stocks.

"Warren Buffett epitomizes the Stoic values in his approach to investment," Mr. Broby said. "I am sure that if Marcus Aurelius were alive today, he would share his wisdom. I suspect he would prefer Coca-Cola to sweet Roman wine in both his portfolio and personal life."

Marcus might find one aspect of Coca-Cola Co. not to his taste, however. Mr. Sull noted that Stoics found praise to be harmful, so he might prefer stocks that are so popular that their shares are priced at 40 times annual earnings.

NICCOLO MACHIAVELLI believed that life is lonely at the top, counseling would-be leaders that "for the prince, there is no final court of appeal." He was a pragmatist, saying that it was better to be loved than feared, but that



One man of reasonable ability may work great change.  
Benjamin Franklin  
Might have picked: General Electric



Eternal recurrence.  
Friedrich Nietzsche  
Might have picked: Gillette; General Electric

above all one should avoid being hated.

Mr. Sull therefore reckons that Machiavelli would favor companies with strong, decisive leaders and that are more focused on results than on how they are achieved.

"He strikes me as someone who would not have a rigid view on how money was made, so long as success was achieved," Mr. Noddings said.

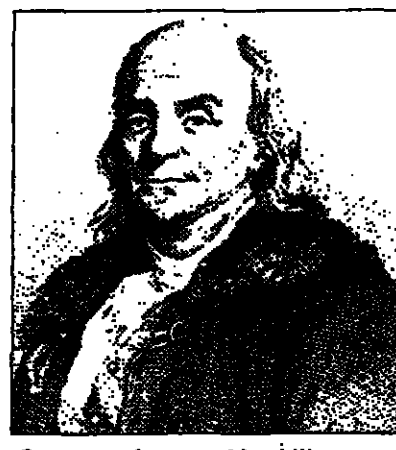
"Perhaps he should buy Berkshire Hathaway," the holding company for Mr. Buffett's diverse investments.

Mr. Broby came up with a choice that reflects Machiavelli's strengths as a pragmatic thinker and shrewd observer of politics and human nature: Corrections Corp. of America, the publicly listed prison operator.

In his principal work, "The Prince," Machiavelli also argued that "a prince does well to surround himself with serious advisers," Mr. Sull said, and so his chosen investments would be companies "hiring from a gene pool other than its own" to bring in fresh ideas.

An example he gave is Microsoft Corp., where Bill Gates "surrounds himself with people with different opinions."

Another bit of advice from Machiavelli is that if there is a conflict between two neighbors, pick one above the other. He would likely take big bets, Mr. Sull said, favoring companies making one form of technology, say, over those making a rival form. So he might



One man of reasonable ability may work great change.  
Benjamin Franklin  
Might have picked: General Electric

like Oracle Corp. or Microsoft, but not both of the software leaders.

BEING A PRODUCT of the Enlightenment, Benjamin Franklin, who compiled a list of seven sins he felt he must overcome to achieve moral perfection, might be an advocate of ethical investing. His basically conservative and prudent nature might also compel him to seek out companies with strong balance sheets, Mr. Sull said, recalling Franklin's belief that "it is hard for an empty sack to stand upright."

Franklin was the one who first observed that "time is money," and so he might also favor companies implementing programs to boost productivity.

Another of his famous sayings is, "In this world nothing can be said to be certain except death and taxes." He might therefore be keen to shelter his portfolio in tax-advantaged vehicles and prefer companies that are able to keep their tax obligations to a minimum.

Focusing on that other sure thing, Mr. Broby said: "Picking a stock for Benjamin Franklin is easy. I am sure that he would appreciate the actuarial certainty of the earnings of Service Corp., the world's largest funeral provider."

As for management, Mr. Sull said, Franklin believed that "one man of reasonable ability may work great change." He would possibly choose stocks of companies with a conspicuous leader, like Jack Welch at General Electric Co., over companies run by consensus through a management board, he added.

Mr. Noddings tried to come up with the perfect company that would dovetail with all of Franklin's beliefs and interests: "Screening my favorite green stocks with productivity, strong balance sheet and leadership, my top pick would be the Thermo Electron-Thermo Instruments group," he said. Both companies, listed in the United States, make high-technology testing equipment, such as a device that measures pollution from power stations and another used to detect explosives at airports.

IT IS EASY to see why General Electric — the American one — is the world's largest company: It seems to be on each philosopher's buy list.

Mr. Sull said that Nietzsche, being a strong believer in the value of individual excellence, might prefer to own companies that focus on staff development. GE's program of molding "managers of the future" epitomizes this.

Nietzsche also believed in "eternal recurrence," the notion that the same patterns of events happen continually, so he might like companies that rely heavily on repeat sales, such as makers of consumer staples. Mr. Sull said, Gillette Co., for instance, sells a razor only once but blades are sold over and over.

Mr. Broby offered an intriguing bit of logic to argue that Nietzsche would eschew individual stock selection altogether: "Nietzsche believed we live in the best of all possible worlds," he said. "It follows, therefore, that he believed that stock prices correctly reflect all known information. Were this not the case, a better world would exist — that is, a world where an individual stock is incorrectly priced and it has a subsequent adjustment to reflect this. As a believer in the efficiency of the market, Nietzsche would be drawn to a proxy for the market and purchase an index fund."

Mr. Noddings took the discussion of Nietzsche to express his own disdain for the hubris exhibited by some corporate managements.

"Nietzsche believed in the 'Superman,'" he said. "A number of companies may have felt it referred to them. The ones that come to mind are the U.S. banks, whose overweening global ambitions were behind their collapse in the late 1980s."

Mr. Noddings said Citicorp and Chase Manhattan Corp. fit this profile, but he warned investors to think twice about following this strategy. "Don't forget, Nietzsche went mad."

MAO WAS PROBABLY not a voracious reader of the financial pages, and Mr. Broby expressed doubts that the Chinese leader "would have appreciated companies pursuing the profit motive."

"He might, however, have been attracted by the largely loss-making Internet enterprises," he added. "After all, he believed in continual revolution and alternative economic paradigms."

In particular, he said, he might go for Netscape Communications Corp.

Mr. Sull, liberally interpreting one of Mao's catch-phrases, "Let a thousand flowers bloom," said he might have invested in companies that foster bottom-up initiative from their staffs. An example he cited is Minnesota Mining & Manufacturing Co.

The notion of "bottom-up initiative," Mr. Noddings said, could apply to his own corporate parent, HSBC Holdings PLC, which being based in Hong Kong also comes under the domain of Mao's successors in Beijing.

"Coming as it does from what was once a remote part of the world," he said, "it has a tradition of locally devolved responsibility."

Looking beyond the home team, Mr. Noddings suggested an alternative. "On a smaller scale," he said, "Halma is a U.K. conglomerate renowned for a devolved management style with emphasis on niche markets."

Halma PLC offers electronic control devices, plant equipment and environmental services around the world.

Mao may have believed in bottom-up initiative, but only in small doses: His Cultural Revolution was strictly a top-down affair.

Mr. Sull said that Mao might also, therefore, have liked companies with leaderships that promote cultural revolutions of their own by initiating wholesale shakeups to renew their firms' missions and operations. He cited three such companies: ABB Asea Brown Boveri, AlliedSignal Inc. and, yet again, GE.

# In Deflation's Looming Shadow, Cool Investors Have an Eye for Opportunity

SMART LONG-TERM investors never let a crisis worry them, but it is hard to live with blinders on and ears plugged. When you read, watch and hear stories about rampant deflation, Asian collapse and the imminent departure of a president, it is only natural to worry about your stocks.

Even if you follow a strict buy-and-hold discipline, you will be faced with the question: Where do I put new money? Or, if you have just refinanced your house: Where do I invest the \$300 a month that no longer goes to the mortgage company?

Let's get the White House crisis out of the way first: No matter what you think of Bill Clinton, uncertainty about his tenure is not good for the stock market. In fact, if we judge from history, it is horrendous.

Look at Watergate. The stock market peaked in January 1973, just as the burglars were appearing before a Washington judge. The Dow Jones industrial average then began a sickly decline. It was down more than 40 percent by the time Richard Nixon resigned in August 1974, leveled off and started back up just after the congressional elections. But the Dow took more than eight years to get back to its 1973 high.

Of course, it is hard to separate the Watergate effect from the bad economy the country was suffering at the same time. Still, Republicans who own stocks might consider dampening their glee over the president's plight.

As far as I can tell, there are no good impeachment stocks — except maybe Time Warner Inc., whose CNN division may see its ratings rise.

The Asia-deflation crisis is another matter.

Deflation is a decline in the general price level. We have not seen the condition since the 1930s, and it was not a pretty sight. Once deflation starts, it is hard to stop (the expression 60 years ago was "pushing on a string"). When consumers see prices falling, they wait until they fall some more before they buy. And wait and wait. Meanwhile, businesses go bankrupt and banks fail.

Last year, U.S. producer prices dropped 1.2 percent, and they may be a harbinger, but it is the Consumer Price Index that registers deflation, and it still shows that prices are rising. The rate of increase (or inflation), however, has been dropping sharply and consistently since 1991, when it peaked above 5 percent. Last year, the CPI rose only 1.7 percent. For 1998, some economists see a CPI rise of just 1 percent.

Inflation at this level can be wonderful. It is great for consumers and producers to know they are dealing with stable prices and great for investors to know that the value of their stocks and bonds will not be diluted in the future. With modest inflation, interest rates drop — as we have seen — and it becomes easier for businesses to borrow and for families to buy houses.

But there is a thin line between that blessed state and a deflation, which can be devastating. At the very least, when businesses cannot raise their prices, they have a difficult time increasing their profits. A stock market that expects profits to rise at 10 percent or more annually will not be pleased.

The forces that have brought the U.S. inflation rate down (the condition is called disinflation) are benign: excellent monetary management by the Federal Reserve Board, competition from abroad and at home, advances in

technology that allow firms to do more with less. But now there is a new factor: Deflation is being exported from Asia, where overinvestment and overproduction have led to currency devaluations, economic slowdowns and stock market meltdowns.

When the price of a shirt made in Thailand falls, the price of a shirt made in the United States has to fall, too — or it won't be sold. When a semiconductor plant in South Korea has to be

sold at a foreclosure price, then the value of every semiconductor plant in the world drops — and so, often, does the stock of semiconductor-makers.

What to do? Richard F. Hokenson of Donaldson, Lufkin & Jenrette, who has been talking about the threat of deflation for many months, said recently in a report to portfolio managers: "A big problem for the equity market is that earnings estimates are too high. For those who have to own stocks, selectivity becomes highly critical. For the time being, we will stay in high-quality bonds at least until earnings estimates become substantially more realistic."

Bonds are an obvious choice. As rates fall, the value of a bond you already own rises. Say you bought a 30-year Treasury bond last spring, when rates were over 7 percent. Today, rates are below 6 percent. Since your old bond continues to pay 7 percent, it is more valuable. If you wanted to sell it, you could get a premium — about 30 percent more than what you paid.

But bonds, whether they are issued by governments or corporations, will only appreciate in value if rates con-

tinue to fall. After dropping sharply for six months, they have started back up this week. Some analysts — including those at Bridgewater Associates, the Wilton, Connecticut, firm that provides research to some of Wall Street's top investors — believe that this is not the time to get into the bond market.

"Bond sentiment," said a report on Thursday, "remains vastly overbought." In other words, too many people have purchased bonds, artificially

raising prices and lowering yields. Maybe. My own view since August has been that investors should assiduously review their holdings and make sure they have enough bonds. Most portfolios do not.

But what about stocks? Merrill Lynch & Co. recently published a fat report called, "The New World of Deflation: Implications for Investors."

One conclusion was that cable TV, telecommunications and utility companies will benefit, since they are protected from Asian imports and their costs (both supplies and borrowing) will fall in a deflation.

For example, BI Research which has produced the second-highest returns over the past 10 years of the 59 newsletters tracked by the Hulbert Financial Digest, has recommended AmeriLink Corp., which constructs and installs cabling systems for telecom companies. The stock dropped more than one-third from October to December but has risen 15 percent this year.

Other beneficiaries from deflation include soft-drink bottlers, which will also gain from lower expenses but do not

have to worry about demand flagging even if consumers get depressed, and defense companies, since, says Merrill Lynch, "the administration lets the Department of Defense keep and spend any savings it gets from low inflation in the cost of their programs."

In its report, Merrill cites companies in the food, consumer products, drug and software sectors as "defensives." They have no excess of productive capacity, and Asian imports are not much of a threat to them. In some industries, including film, electrical equipment and computer technology, "price deflation has been a way of life for a long time, so the current environment is just more of the same," writes Merrill's Jeanne Terrell.

The game of trying to analyze industries and companies in a deflationary environment is one you can play yourself. Think about airlines, for example. They have reaped a bonanza from falling oil prices. USAir Group Inc., for example, has nearly tripled in price in the past year. But some airlines are already feeling the impact of falling demand in Southeast Asia. United (UAL Corp.) reaps 21 percent of its sales from its Pacific routes while American (AMR Corp.) and Delta Air Lines Inc. collect only 2 percent each.

Or consider fast-food restaurants. They can expand using cheaper credit, their costs should decline and it is doubtful that demand for hamburgers and chicken will fall off. The only problem is that there may already be too many McDonald's outlets in the United States, and expansion plans for Asia are going sour. That's why a company like Starbucks Corp., down 13 percent in the past month, may hold more promise.

Large multinational banks have already been hit hard by the Asia-deflation crisis. Chase Manhattan Corp. and Citicorp have dropped 20 percent since October. But some analysts are high on banks that receive a big chunk of their revenues from fees and do not have much exposure to borrowers who might default. David Hilder and Rosalind Varr of Morgan Stanley Dean Witter, Discover & Co., for instance, recently issued a "strong buy" rating for Bank of New York Co., whose earnings from trusts and stock-transfer processing are soaring. The stock price has been flat since November.

But often the best plays in an environment like this one are contrarian. In other words, it is no secret that Chase has serious exposure with its Asian loans, so the diminished earnings that should result may already be reflected in its price. I am not saying that Citicorp and Chase are necessarily good buys right now, but other banks that have been dragged down may be.

One is Republic New York Corp., which does business on five continents (including, obviously, Asia) but which holds only 20 percent of its assets in loans. It will soon be generating 50 percent of its profits from private banking services for rich clients. "The stock," says Merrill's Judith Kraushaar, "has traditionally been a safe-haven when earnings pressures surface for other banks because of its history of low-loss experience and unusually high capital ratios." So far, however, investors have been shunning Republic, which trades at a price-to-earnings ratio of 13.

Washington Post Service

For further information, contact: • BI RESEARCH Telephone: 1 202 270 9244

## JAMES GLASSMAN ON INVESTING

James Glassman is a senior advisor at Merrill Lynch & Co. and author of "The New World of Deflation: Implications for Investors."

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AS - Australian Dollars; A\$ - Australian Schilling;  
 AF - African Francs; C\$ - Canadian Dollars;  
 DM - Deutsche Mark; Dk - Danish Kroner; Dr - US  
 Dollars; ECU - European Currency Unit; FF -  
 French Franc; Fmk - Finnish Mark; Ft - Dutch  
 florin; fRp - Indonesian Rupiah; L - Lira; Lit -  
 Lithuanian Litas; Lm - Luxembourg Franc;  
 M - Malaysian Ringgit; Ptas - Pesetas;  
 S - Singapore Dollars; S\$ - Swiss Franc; Sk -  
 Swedish Kroner; Tls - Turkish Lira; V - Vietnamese  
 Dong

a - asked; C - Cost Price, N.A. - Not Available;  
 N.C. - Not Commercialized; n - none; N -  
 suspended; S\$ - stock price; S - dividend;  
 Ex-Rts. - ex-Dollar Price (see "p. prices" change);  
 - Paris exchange; - Amsterdam exchange;  
 - suspended entry; a - not registered;  
 - suspended entry; p. prices of bid and offered  
 price. Ex-Rts. calculated; p. prices calculated 3  
 days prior to publication; c - price.

Two marginal symbols indicate frequency of  
 quotations supplied: (h) - cheap; (p) - weak; (id) -  
 irregular; (v) - very irregular; (r) - regularly; (u) -  
 weekly; (m) - monthly; (q) - quarterly; (a) - annually.



## THE MONEY REPORT

## Look Down for Stocks to Grow Up

Unrealized Value' Is the Key to Bottom-Up Investment Strategy

By Digby Lerner

FOR THE uninitiated, the idea of an investment portfolio going bottom up may sound like the aftermath of a nasty stock market crash. In fact, the bottom-up approach is the staple of professional investors worldwide.

It involves picking stocks for reasons specific to particular companies, regardless of the prospects of their sector or market. In other words, no matter how markets are performing, some stocks have more value than others.

Richard Wort, a spokesman for the Bermuda-based GAM Global Asset Management, said that several of GAM's fund managers used the bottom-up philosophy.

"For us, the whole process begins, ironically, by taking a macroeconomic view," he said. "From that, we select countries or sectors we think are worth looking at. After that, rather than taking a broad sweep of stocks, we get a locally based manager to make a bottom-up selection."

The advantage this has over some other philosophies is that it focuses the portfolio on a group of stocks with strong growth potential.

The disadvantage, especially for private investors, is the amount of time and effort needed to research individual stocks, he added. This can be done in several different ways and some methods are less arduous than others.

GAM managers meet corporate executives and tour production units of the companies in which they invest.

"We avoid getting bogged down in most of the statistical material that's available," Mr. Wort said. "What we're looking for are stocks with unrealized value. Traditional value measures tend not to pick that up."

By visiting individual companies, investors get a feel for the quality of management and get a first-hand view of the products and services on offer.

"It's amazing the sort of ideas you

pick up from just touring a factory," he said. "For example, you may see a pile of rusting tubing or some raw material that suggests production is slowing."

What Mr. Wort likes most about bottom-up investing is that it can be applied to any market or sector, regardless of the prevailing investment trend.

"We've been underweight in the Far East for about the last year, but we haven't abandoned it altogether," he said. "Roughly 6 percent of our assets are now invested there, primarily in Japan. By looking for stocks that are basically sound, we can insulate ourselves from the gyrations of the market."

The largest portion of GAM funds are invested in Europe. Two of Mr. Wort's current favorites are

Telecom Italia SpA, Italy's privatized telecommunications business, and the Swiss pharmaceutical company, Novartis AG, created by the merger of Sandoz and Ciba-Geigy in 1996.

"The Italian market, especially, seems to be throwing up a number of good value stocks at the moment," he said.

For investors with neither the time or expertise to build close relationships with corporate executives, there are alternative bottom-up methods.

Jayesh Manek, chief executive officer of Manek Investment in Britain, uses standard value measures to make bottom-up selections. His aim is to invest in businesses that will outperform their market average over the medium and long term.

"You can't get it right all the time, but if 60 percent of our stocks perform well we can still do better than average," he said. He added that bottom-up portfolios tend to concentrate on a smaller number of stocks than those taking a broad view of a market or sector.

"On a bottom-up basis, your 100th stock is rarely as strong as your first, so we stick to around 30 or 40," he said.

The figures he uses to make selections are readily available. The initial selection is made on the basis of earnings growth.

"We look for a history of between

three to five years of above earnings growth," Mr. Manek said. "On top of that, we want to see projections for the same level of performance over the next couple of years."

This is compared to the firm's average price-to-earnings ratio over the same period. The lower the P/E ratio, the better growth potential it is thought to have.

"None of these factors is much use in isolation and we like to see a P/E figure that is lower than average earnings," he said. But he noted that not all his selection criteria were qualitative.

"Very often there are key factors that set a business apart from its competitors," Mr. Manek said. "We're especially interested if it has strong cash flow, that sort of thing. It helps limit any possible downside."

**HIS CURRENT** favorite stocks are both British. The first, JJB Sports PLC, has growth expectations of up to 40 percent over the next two years, he said.

"Its cash flow is better than its profits and its return on capital is very good," he said. "On top of that, its franchising ability is very strong."

Since picking up on the stock two years ago, its value has gone from £1.60 (\$2.70) to £6.55.

"It's hard to say how high it might go from here, but we certainly expect it to do better than the market average," Mr. Manek said.

His second choice is Anite Group PLC, which two years ago was a debt-ridden mess. Since then, it has sold off a number of unprofitable businesses and focused on its money-making software activity.

"Thanks to its restructuring," he said, "Anite has climbed from a net debt position to having a cash surplus of more than £40 million." Its stock has been rising, albeit irregularly, since November, when it touched a low of 39.5 pence. On Friday, it traded at 57 pence.

Although Mr. Manek expects to hold each stock for at least five years, he said it was important to monitor them for adverse changes.

## BRIEFCASE

## If a Slowdown Looms, Keep an Eye on Spin-Offs

High-Yield Analytics Inc., a Chicago investment boutique, has a handful of forthcoming U.S. spin-offs in its sights. With pressure on American corporate profits from an expected slowing of the U.S. economy and the financial crisis in Asia, spin-offs offer investors the possibility of returns in excess of the market, the firm said.

Spin-offs, companies that are cut loose from their parents, attracted widespread attention in the United States last year, mostly because of AT&T Corp.'s high-profile and highly profitable \$23 billion spin-off of Lucent Technologies Inc., its maker of communications equipment and software. Lucent's share price has since more than doubled.

But spin-offs are not guaranteed to be profitable.

"Each one requires careful analysis," warned Joseph Cornell, an analyst with High-Yield Analytics.

For example, investors have shunned Tricon Restaurants, PepsiCo Inc.'s spin-off of its Taco Bell, Kentucky Fried Chicken and Pizza Hut restaurants, because it is weighed down by \$5 billion in debt.

"That scared me," said Mr. Cornell. Tricon shares have slumped to about \$25, from their original \$32.

Prospects look better, in his view, for the approaching spin-offs from Whitman Corp., the largest Pepsi bottler in North America. It will officially sever two of its units, Midas Inc., the muffler and auto-repair concern, and Hussman International Inc., a maker of refrigerated display cases, on Jan. 30. Mr. Cornell noted that Midas is struggling, but is a "great brand" that could do better on its own, and Hussman is a leader in its industry.

But he also likes Whitman, the parent, because it will pay off half its debt with cash from the spin-offs, and, he suggested, may merge with PepsiCo's bottling business to form a separate company.

He also likes Ford Motor Co. and its soon-to-be-independent consumer finance group, Associates First Capital Corp.

"Ford you could buy right now to get the Associates dividend," he said. Then, he predicted, if the automaker also sells off its Hertz car-rental unit, "you're getting Ford on the cheap, and they've got a ton of cash on their balance sheet and a fat dividend."

Another company on Mr. Cornell's "watch list" is Ameritech Corp., the regional Bell telephone company. If regulators decide that it must let competitors use its \$30 billion network at the same prices Ameritech pays, it may well spin it off and become strictly a marketing company, he said.

But investors should not expect instant, Lucent-like profits, he warned. The share price of a spin-off typically underperforms the overall market for three to six months, then starts to rise, assuming it has positive earnings, and Wall Street begins to follow the company.

A study of 161 spin-offs by Pennsylvania State University showed that they outperform the market by 4.5 percent in the first year, but rise to 25 percent in the second, and 31 percent the third year.

For further information: HIGH-YIELD ANALYTICS is offering a free report on spin-offs in Money Report readers. Call 1-312-222-0500, or fax 1-312-222-3112.

THE MONEY REPORT carried articles about spin-offs on May 10, 1997, and Dec. 20, 1997. These articles are available on the Internet at [www.ihf.com/INTMONEY](http://www.ihf.com/INTMONEY)

**Newsletters' New Swipe At Critic Is Off the Mark**

To hear his enemies talk, one would have to conclude that Mark Hulbert, a one-time Oxford University scholar who publishes a list of the most- and least-successful investment newsletter writers, was an awful guy.

"I sued him 14 years ago," said Yale Hirsch, editor of Ground Floor, a small-stock investment newsletter. "He has made a lot of blunders but he's unfortunately been Mr. Teflon — nothing seems to stick."

"His mathematics are absurd," adds P.Q. Wall of the P.Q. Wall Forecast. Inspiring the rounds of vitriol about

Mr. Hulbert is his Hulbert Financial Digest, a monthly newsletter run out of Alexandria, Virginia, that evaluates the advice given by investment newsletter writers. He puts together hypothetical portfolios to show how well — or badly — an investor would do by following a newsletter's advice.

Mr. Hulbert's attackers have come up with the same criticisms year after year, but in learning that they were on a list of 1997's worst performers, his foes came up with a unique attack. This time, the critics in some cases gleefully proclaimed that Mr. Hulbert was so dishonest that he was under investigation by the U.S. Securities and Exchange Commission.

The SEC, as is its policy, would not confirm or deny an investigation. Asked if the SEC was investigating him, Mr. Hulbert said, "Of course not."

So what are the newsletter writers talking about? An innocuous reference to Mr. Hulbert, apparently, in one of the letters he follows.

"We have been advised not to use the performance percentages generated by The Hulbert Financial Digest," wrote Al Frank in the Sept. 2 issue of The Prudent Speculator. "The reasoning behind this SEC command is that we do not have work papers supporting said percentages."

Mr. Frank, who was using his No. 1 long-term ranking with Mr. Hulbert in his advertising, was challenged during a routine SEC inspection in a way the SEC frequently challenges registered investment advisers who advertise: Prove how you got those hypothetical gains, or don't use them in your ads.

Because Mr. Hulbert does not routinely give out information from his research, Mr. Frank could not prove to the SEC that an investor would have enjoyed the spectacular gains that Mr. Hulbert attributed to him. So in the view of those letter-writers who scorn him, Mr. Hulbert is "under investigation."

Mr. Frank said that he was incredulous that his words could have been misused this way.

"I never said he was under investigation," he said, adding that he wound up getting from Mr. Hulbert the documents that would satisfy the SEC and allow him to resume use of the ads.

(Bloomberg)

**Bullish Players Feed Financial Betting Boom**

Betting on the financial markets is not for the faint-hearted, but the practice is enjoying a boom, according to Michael Spencer, chairman of London's largest financial bookie, City Index.

The financial bookmaker has an estimated 10,000 risk-loving customers and betting volumes rose 30 percent last year, Mr. Spencer said.

Mr. Spencer said one of the big attractions of City Index for British gamblers was that there is no tax on profits, since they are treated as bets.

And there is no limit to the potential gain or loss that can be made, since the bookmaker trades solely through "spread betting" — or betting on a rise or fall in an index or individual security against the bookies' central price.

If a gambler stakes £10 (\$16.48) on the Financial Times-Stock Exchange index rising above a certain level and he calls the market correctly, the winnings multiply by every point the index rises. Should the index fall, losses mount in the same way.

In "fixed-odds betting," by comparison, a bettor can only ever lose the money that is staked.

"It is quite feasible for customers to win, or indeed lose, hundreds of thousands of pounds with one position, particularly in the financial markets where we've seen massive volatility recently," Mr. Spencer said.

Last month, a City Index client landed a windfall of more than £3 million after staking just £5 on the performance of the world's stock markets.

Mr. Spencer estimates that his firm has paid out about £100 million in total winnings this year.

The bulk of City Index's clients work in London's financial sector. But foreign investors also can play.

The firm offers more than 100 markets to bet on. About 70 percent of business is financial and 30 percent related to sports. City Index's main rival is the smaller, privately owned IG index.

Mr. Spencer said City Index had few institutional clients, because most of them preferred to limit their risks through more formal financial instruments, such as futures and options.

One of the strangest bets City Index has offered recently is the number of currencies likely to be included in the first wave of European economic and monetary union next year.

The time in minutes before the first throw-in of a soccer match is another off-the-wall bet that was offered. But it was withdrawn after one season because it was open to potential manipulation, Mr. Spencer said.

But the majority of clients prefer to stake their money on future movements of the FTSE-100 or the Dow Jones industrial average.

Having established City Index in the British market, Mr. Spencer is seeking to expand the service in Asia and Australia. He has three branches in Australia, although their services are limited to sports betting.

One of Mr. Spencer's pet hopes is to develop gambling on the Internet. With this in mind, he is discussing projects with the British media company Mirror Group PLC. He sees the days of dingy betting shops as numbered.

"Why would you go to a shop," he asked, "when you can place bets by phone in the comfort of your own home?" (Reuters)

For further information: CONTACT CITY INDEX by telephone in London, 44 171 550 8500, or visit its Web site at [www.cityindex.co.uk](http://www.cityindex.co.uk)

**In 1997, Assets Rose In French Mutual Funds**

Total assets in French mutual funds rose 2.2 percent last year as investments surged into French and international stock funds.

According to the independent French mutual-fund monitoring company EuroPerformance, assets under management in mutual funds in France rose to 2,040 trillion francs (\$340 billion) in 1997 from 1,997 trillion francs in 1996.

The rise in stock markets around the world boosted investment in equity fund assets by 32.9 percent, to 480 billion francs. Last year, France's benchmark CAC 40 stock index rose 29.50 percent, while the U.S. Dow Jones Industrial Average rose 22.6 percent.

There was no change in assets invested in bond funds in France, at 420 billion francs, while money-market fund assets fell 1.1 percent, to 996 billion francs. France has the second-largest fund market in the world after the U.S.

"Performance was exceptional in 1997," Baudouin de Brie, chairman of EuroPerformance, said at a conference to present the results. "Overall, there was a wealth of activity."

Last year was the second straight year in which investment in equity funds increased. (Bloomberg)

**Citibank to Offer Japan Dollar-Based Credit Card**

Citicorp Card Service Inc., a subsidiary of the U.S. lender Citibank, is planning to introduce a credit card in Japan specifically for purchases made in U.S. dollars, the first such card in the country.

Cardholders will be able to pay for dollar purchases from dollar-denominated accounts at Citibank in Japan. Citibank expects the demand for these services to grow in Japan after rules restricting foreign-currency exchange are lifted in April, giving individuals and companies more incentive to conduct transactions in currencies other than yen. (Bloomberg)

**Correction**

The Money Report article in the Jan. 17 editions about international dogs of the Dow strategies contained an error in the German listings. Deutsche Telekom should have been included in place of Deutsche Bank; the performance results, however, were for the latter.

Deutsche Telekom had a total return of 4.77 percent last year, compared with a gain of 47.11 percent in the overall DAX index, which is calculated on a total-return basis.

Ulrich Holland, the reader who brought the mistake to our attention, also alerted us to an interesting name he uses for the German dogs: DAXHunde.

## Fund Shuns Risk but Limits Reward

By Carole Gould

THE CONVENTIONAL wisdom is that only risk-takers can hope to win big in the investing game. But that does not stop market strategists from trying to rake in competitive returns with low risk.

One such strategy, called "market-neutral," has long been used by wealthy investors. Now, thanks to the Taxpayer Relief Act of 1997, U.S. mutual funds can do market-neutral investing. The first one to adopt the strategy is the San Francisco-based Barr Rosenberg market-neutral fund.

"It's wonderfully seductive, like sugar without the calories," said Michael Stolper, who evaluates investment managers for wealthy clients. "But it's terribly difficult to get right."

It is important for investors to remember that market-neutral investing aims to produce steady, moderate gains, not spectacular ones.

"In a bull market, a fund like this won't share in the upside at all," said Paul Pudaiter, director of quantitative research for Morningstar Inc., the Chicago-based fund-tracker.

Because investors face the likelihood of heavy taxes while forfeiting high returns, market-neutral is perhaps not the holy grail after all.

Market-neutral investing, which has been around since 1949, when the first hedge fund was set up, gained favor in the late 1980s after the stock market crash of 1987. Investors looked for ways to make money whichever way the market moved, and market-neutral was one answer.

In market-neutral investing, managers invest money in stocks they believe are undervalued and then "neutralize" the risk by shorting an equal amount of stocks that they believe are overvalued. The expectation is that the price will fall and the borrowed securities can be repaid with shares that cost less. The cash raised by the short sales is invested in short-term Treasury securities. Simply put, if the stock market rises, the long positions make money and the shorts lose money. When the market falls, the opposite occurs.

IN EITHER CASE, the Treasuries provide a money-market return. If the strategy works perfectly, the long stocks earn more than the shorts lose, adding to the portfolio's profit. The tricky aspect is that it all depends on stock-picking — getting the right longs and the right shorts.

The tax-law change that allowed mutual funds to adopt market-neutral investing was the repeal, effective Jan. 1, of what was known as the short-

short rule. It had prohibited funds from earning more than 30 percent of their income from short-term gains, and all short sales were deemed short-term.

In Barr Rosenberg's fund, management plans to use a computer-based model to rank the universe of small- and mid-capitalization stocks. It will buy the most attractive ones and short the least attractive. A composite of the institutional accounts it manages using similar strategies gained 17.66 percent for the three years that ended on Nov. 30, the company said, and 13.85 percent for five years.

These gains are 12 percentage points and 8 percentage points, respectively, over the yield on three-month Treasury bills.

But the spread is less than 3 percentage points for the 10 years that ended Nov. 30, when the market-neutral accounts gained 8 percent, the company said. And an 8 percent gain looks far less attractive when compared with the Standard and Poor's 500-stock index, which rose 18.7 percent a year on average for the 10 years through November.

Despite the reassuring name, market-neutral funds carry risks. Two fixed-income private partnerships billed as market-neutral, Granite Partners and Fenclerich Capital Management, fell apart after the bond market sagged in

1994. Investor shares in the Barr Rosenberg fund carry a \$2,500 minimum investment. Fund expenses are expected to run 2.5 percent a year, not high relative to hedge-fund costs but well above the average mutual fund's expense ratio of less than 1.5 percent.

KEN GREGORY, publisher of the No-Load Fund Analyst in San Francisco, is adding substantial stakes, up to 21 percent, in the new fund to his publication's recommended portfolios. "Because the returns from market-neutral are not correlated with stocks or bonds, the investment offers powerful diversification benefits," he wrote in December.

He is optimistic about its performance, too. "If we are right about stock market returns falling somewhere between mid-single digits over the next three to five years, then the returns from market-neutral have the potential to be very competitive, with much less risk than the stock market," he said.

Still, he conceded that the key to successful market-neutral investing is carefully matching the long and short portfolios, mitigating not only market risk but also exposure to specific industries, interest-rate fluctuations and other risks.

New York Times Service

## Keebler to Brave IPO Market

KEEBLER FOODS CO. is hoping to work some of its elfin magic on investors. Keebler, the cookie company symbolized by a band of elf bakers inside a hollow tree, is expected to make an initial public offering worth up to \$275 million next week. With the new-issues market feeling skittish these days, there may be nothing more reassuring than the debut of this enterprise, which is 145 years old and measures its sales in billions of dollars.

Indeed, the offering, which includes 11.5 million shares priced at \$21 to \$24 each, may be smart as well as fortunately timed. Flowers Industries Inc. certainly seems to think so. Flowers, a publicly traded baked goods company in Columbus, Georgia, is one of the three companies that bought Keebler in a leveraged buyout in 1996. The other two, Airtel Luxembourg S.A. and Bormore Ltd., are selling a portion of their shares in the offering. But Flowers will

buy enough of those shares to raise its stake in Keebler to 57 percent from the current 45 percent.

LIKE OTHER INVESTORS, Flowers may be drawn in part by the company's famed names. Millions of American consumers know such Keebler brands as Hydrax, chocolate sandwich cookies, Pecan Sandies, Cheez-It and Carr crackers, and Ready Crust frozen pie crusts. The word Keebler is itself widely recognized, too.

"Orco's is a powerful name but it's associated with one product," said Mark S. Basham, a research analyst at Standard & Poor's Corp., referring to Nabisco Brands Inc.'s well-known cookie. "But the Keebler brand has universal recognition. It's not associated with a specific product."

In addition, Keebler, which had 1997 sales of \$1.54 billion through Oct. 4, is the only American cookie and cracker company besides Nabisco with its own national distribution system. This puts

Keebler employees in supermarkets several days a week, which allows them to keep close track of inventory, to identify fast — or slow — selling items and to spruce up displays. Keebler wants to capitalize on these significant advantages by expanding its distribution network to mass merchandisers and discount shopping clubs.

Then there is Keebler's acquisitions strategy: its purchase of Sunshine Biscuits in 1996 is an example. Such takeovers allow Keebler to extend its famous name to more brands and to increase its share of the \$4 billion cookie market, where it now ranks second with 16.6 percent.

Gobbling up other cookie companies also makes fuller use of Keebler's manufacturing capacity, which is running at only 82 percent even after the Sunshine purchase. Given these idle facilities and Keebler's distribution system, such acquisitions can confer their advantages at little cost to the company.

New York Times Service

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## WORLD ROUNDUP

Dutch to Boycott  
Swim Meet in China

**SWIMMING** Angered over drug use by Chinese swimmers, the Netherlands' top swimmers will boycott next month's World Cup meet in Beijing in protest, officials said Friday.

Dutch television quoted the Dutch Swimming Federation as saying the team intended to sit out the Feb. 25-26 meet because it contends that FINA, the sport's international governing body, is ignoring the problem.

At this month's world championships in Perth, Australia, a Chinese coach and swimmer were caught with performance-enhancing human growth hormones at Sydney airport and later banned by FINA.

Four Chinese swimmers also tested positive for a diuretic drug and were suspended.

The suspensions ignited fresh debate over whether the Chinese should be allowed to continue competing internationally. But FINA's chief, Gunnar Werner, said earlier this week that there was nothing to suggest the Chinese were systematically using drugs. (AP)

## Swiss Wins a Downhill

**SKIING** Didier Cuche of Switzerland won a two-hour sprint downhill event on Friday in Kitzbuehel, Austria, for his first World Cup victory.

Cuche's overall winning time was 2 minutes 31.55 seconds. Nicolas Burtin of France was second in 2:31.69, followed by a compatriot, Jean-Luc Cretier, who clocked 2:31.87. Another Frenchman, Adrien Duval, shared fourth with Juerg Gruenfelder of Switzerland in a time of 2:32.04. (AP)

In Cortina D'Ampezzo, Italy, Melanie Suchet of France won her first World Cup race as a fast, altered Super-G course forced out 10 of the top 15 racers on Friday, leaving many of them angry.

Isolde Kostner of Italy, who was a big favorite after winning the downhill on Thursday, said the officials made the turns much tighter than usual and virtually impossible to complete at high speeds — explaining why some of the best racers went off the course while the slower ones made it down. (AP)

## Els Leads in Thailand

**GOLF** Ernie Els, the defending champion of the \$1.3 million Johnnie Walker Classic, sent a message to Tiger Woods on Friday: You won't take my title.

The South African shot 65 on his way to a 12-under-par 132 for a three-stroke lead after the second round of play over the 7,099-yard (6,490-meter) Blue Canyon Country Club course in Phuket, Thailand. Woods, whose mother is Thai, finished one-under-par for a second-day total of 143. (AP)

Super Teams Honing  
Showdown Strategies

Crossing Patterns May Be Key to Passing Game

By Thomas George  
New York Times Service

**SAN DIEGO** — The defenses for the Green Bay Packers and the Denver Broncos do not want to be crossed on Sunday in Super Bowl XXXII. But it will very likely happen, frequently, with pass patterns by receivers from both offenses that create confusion.

Especially in this Super Bowl. In past years, smaller receivers played the vertical game to the hilt. Run straight. Run deep. Catch the bomb. But in recent seasons, as National Football League offenses have turned to bigger receivers who can take punishment over the middle, crossing patterns have become popular. They are also a reaction to blitzing defenses that come after the quarterback more quickly and with more venom. Send your receiver across the field and hit him with the pass quickly. That is the offensive answer.

Simply stated, the crossing pattern involves a receiver aligning wide on one side of the field, then running five yards or a little more straight downfield — about 12 yards for the deep cross — and then turning and running directly across the field. Sort of an L-shaped pattern. Rather than finishing as a vertical pass route, it is a horizontal route. But the defensive back is forced to cover the receiver in a vertical way.

"The receiver is always at an advantage from the snap because he knows where he is going and you do not," said Tim McVey, a Broncos cornerback. "So, he gets the step advantage and then he runs across the field and you are playing catch-up all the way. I mean, you've got to haul it when you're covering a fast guy horizontally even more than vertically. At least in the vertical, you can backpedal and turn and get position."

Fritz Shurmur, the Packers' defensive coordinator, said: "We're very good at it, and Denver is very good at it. They can run them shallow and deep, and it makes you play your defense differently, especially in the area where you might want to stack your defense in layers of pass coverage."

For Green Bay, Robert Brooks and Antonio Freeman are receivers who run this route with flair. Freeman used it against the San Francisco 49ers in the National Conference championship game for a 27-yard, second-quarter score that helped Green Bay roll to a 23-10 victory.

"I call Brooks full speed and Freeman warp speed," said Mark Collins, a Green Bay cornerback. "I see these guys every day in practice, and both of

them are dangerous after the catch. The crossing patterns make sure they get the ball quickly. Then they burn you with moves and speed. Defenses today are designed not to give up the big play. They are stacked to keep you from hitting the deep 60-yard bomb."

"So, you cross, you throw for five yards — and then run for 55. Brooks or Freeman can do that."

For Denver, Ed McCaffrey, 6 feet 5 inches (1.95 meters) and 215 pounds (97 kilograms), and Rod Smith, 6 feet and 190 pounds, are resilient in traffic. McCaffrey's crossing pattern and catch in the playoffs against Kansas City caught the Chiefs in a blitz and with the defender on McCaffrey picked, or slowed by being rubbed into another player. The fourth-quarter play went for 43 yards, to the Chiefs' one-yard line and set up the winning score — a Terrell Davis one-yard run in Denver's 14-10 victory.

"We don't mind taking a hit," Smith said. "And we know how to get by the first guy."

Don Beebe, Green Bay's receiver playing in his sixth Super Bowl, said: "Linebackers are geared to stay in there and stop the run. They are not used to wide receivers coming in and out of their area of pass coverage. They have a tendency to lose you. They are looking in at play-action and play-fakes in the running game. You are flying right past them to get free. Really, what you are doing is stretching the field in a different way — horizontally."

Brett Favre, the Packers' quarterback, said the crossing pattern is most dangerous when defenses are in man-to-man coverage.

"You've got man coverage on a receiver and let's say the defensive back gets rubbed or picked on the inside by one of your players or one of his as he's running across in coverage," Favre said. "Then you've got them. Your guy is running free. And when the blitz is on, forget it. No one is there as a backup. That makes it dangerous for the defense. In that case, a 4- or 5-yard pass completion can go a long way."

It is a play that takes extreme advantage of any defensive holes in the middle of the field. And even though it is most effective against man-to-man pass coverage, it can work beautifully against zone pass coverage, too.

"There is a lot of traffic out there anyway in the passing game and then, if you're in zone and a receiver is crossing, he is going in and out of people's zone responsibility," Green Bay cornerback Doug Evans said. "Is he in my zone or your zone? Your responsibility or mine? This creates confusion. And, too, it makes the linebackers play more honestly. They may be gearing up for the running game or for a blitz. If a guy is crossing, it makes them stay back on their heels more."

Broncos cornerback Darrien Gordon said: "You've got to make decisions on this play, and you have to make the right ones or it will cost you. We are looking for it. I'd guess the Green Bay defense is looking for it. Both better be prepared."



Denver's quarterback, John Elway, gearing up for practice in San Diego as the Broncos prepare for the Packers.

## Despite Elway, the Broncos Look Outgunned

By Thomas George  
New York Times Service

**GREEN BAY (15-3) vs. DENVER (15-4)** The difference between these teams in records is one game. Both have 15 victories, but Denver has four losses, one more than Green Bay.

The differences between these teams on the field, however, are more striking. Green Bay is bigger in the trenches. Green Bay is bigger at tailback. Green Bay is faster at receiver. Green Bay is regarded as the more physical team. This matchup is one of size versus quickness.

Denver, the quick bunch, will rely on its offensive line and John Elway to make it happen in the passing game, in the pocket and on the run. Denver's

offense also needs to display the ability to control the ball.

On defense, Denver needs to mix its coverages and become one of the few teams to confuse the Packers' quarterback, Brett Favre.

The Denver defense might be able to do it. On offense, though, it is a long

Denver, however, needs to do several exactly right to win. Green Bay, on the other hand, can simply play its game — physical and exacting on both sides of the ball — and prevail. The NFC has won the last 13 Super Bowls. Make it 14. Prediction: Packers, 31-20.

## Oddsman: Like Green Bay

The Green Bay Packers were favored by 1½ points over the Denver Broncos by Ladbrokes, the British bookmaker. The Associated Press reported from New York. The Packers' running back Dorsey Levens was the favorite to score the first touchdown. In Las Vegas, about half of the sports books also had the Packers as 1½-point favorites, while others had them favored by 1½ points.

## SUPER BOWL MATCHUP

## A New Tiger Emerges in Melbourne

The Associated Press

**MELBOURNE** — Another tiger of Thai parentage is on the prowl in big-time sports. Tamarine Tanasugarn mauled the French Open champion Iva Majoli at the Australian Open on Friday, advancing to the round of 16.

An unknown compared with the golfer Tiger Woods, who has a Thai mother, the Los Angeles-born Tamarine still made a big impression, needing slightly more than an hour to eliminate the No. 4 seed, 6-0, 6-2. Majoli, the player who kept Martina Hingis from sweeping all four Grand Slam tournaments last year, was the highest women's seed to fall so far.

"I'm shocked — it's like I still can't believe that this really happened," said Majoli, who added that she had been playing well in morning practice after two good rounds here.

"She was controlling lots of points, but even when I did have a chance, my

balls would just go and I had no idea where they were going," she added. She gave Tamarine credit for not losing her nerve playing a top seed.

Also ousted Friday were the men's No. 11 Alex Corretja, of Spain, who lost to Cedric Pioline of France, 6-2, 6-1, 6-4, and the women's No. 13 Lisa Raymond, who was ousted by Patty Schnyder of Switzerland, 2-6, 6-3, 8-6. Ten of the 16 men's seeds have been eliminated, but only No. 3 Michael

## THE AUSTRALIAN OPIN

Chang is among the top six. Five of the women's seeds are gone. Among the lesser-knowns who advanced was Hicham Arazi, one of two Moroccans still in the field. He beat Francisco Clavet of Spain, 4-6, 6-4, 3-6, 6-2, 6-1, in his second straight five-set match. He eliminated No. 15 Mark Philippoussis in the second round.

Pete Sampras, the men's defending champion, rolled on, as did Petr Korda, the man in the top half of the draw who most worries him. Sampras defeated Magnus Gustafsson of Sweden, 7-5, 6-3, 6-4, and will play Arazi.

After allowing only one break point and serving 18 aces, Sampras said, "I have no complaints about the way my performance is progressing so far and in the future things are looking real smooth."

Korda moved toward a possible semifinal clash with Sampras by beating the American qualifier Vince Spadea, 6-2, 7-6 (10-8), 6-2, and then doing three exuberant scissor kicks on Center Court to mark his 30th birthday.

"I couldn't do 30 of them because I would die," said the left-hander, who lost to Sampras in five sets at Wimbledon last year and then beat him in five at the U.S. Open. He next plays Pioline.

In contrast, Tamarine was decidedly low-key. "Last night I was thinking, O.K., I just try to play my best tennis today, and it's a good opportunity if I win because it is the first time I beat a Top 10 player, and if I lose, I think, it's O.K."

"I never think that I am going to have a chance, even at 5-1," in the second set, "because I know Iva, she's going to fight back."

"So I just concentrate," she added, "one by one, not to rush in my games. I think I played pretty good today, not missing a lot."

Tamarine's father owned a Thai restaurant on Hollywood Boulevard, but she moved with her parents back to Thailand when she was 5. She has dual U.S. and Thai citizenship.

She now faces No. 9 Sandrine Testud, who advanced with a 6-4, 6-2 victory over Adriana Gerst of the Czech Republic.

No. 2 Lindsay Davenport beat Flavia Perpetti of Italy, 6-2, 6-1, but said she wasn't quite back to the good form she enjoyed at the end of 1997, when she won six singles titles. As No. 2 seed, "you have more to prove and you want to play even better," she said. She next plays No. 15 Ruxandra Dragomir, a 6-2, 7-5 winner over Florencia Labat of Argentina.

No. 8 Conchita Martinez beat Anne-Gaëlle Sidot of France, 3-6, 6-0, 6-3, and next meets Barbara Schett of Austria, a 6-3, 6-1 winner over Natasha Zvereva of Belarus.

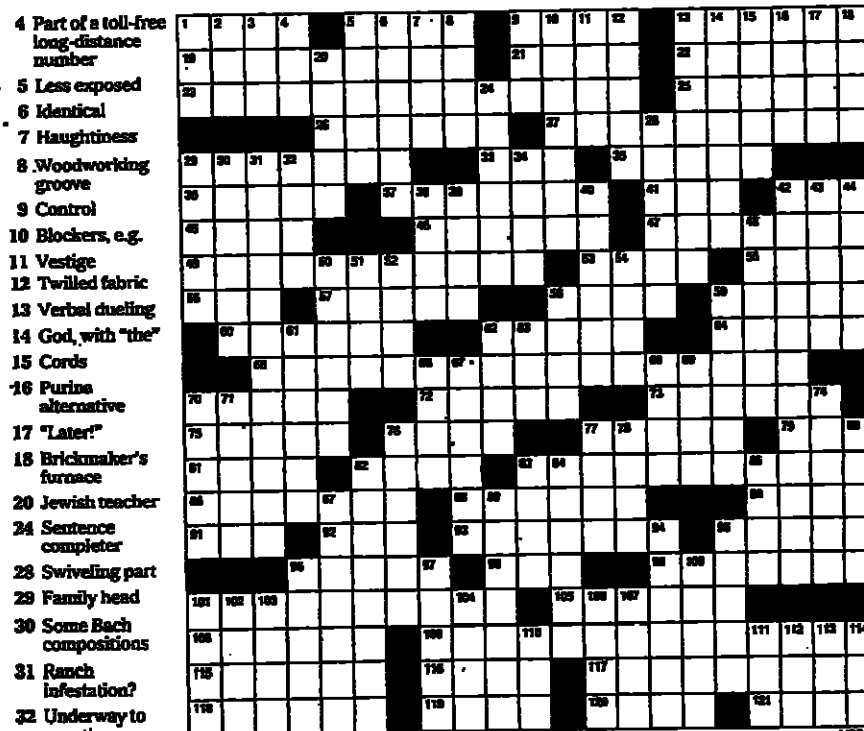
Venus Williams, fresh from beating her sister, Serena, provided some lachrymose play and high comedy. Just before finishing a 6-1, 6-4 victory over Amelie Mauresmo of France, she hit a first serve high into the stands. Mauresmo had a point for a 5-2 lead in the second set before Williams changed back.

The men's No. 4 Jonas Bjorkman had few problems in a 7-5, 6-3, 6-4 victory over Fabrice Santoro of France, advancing to a fourth-round meeting with Byron Black of Zimbabwe, who beat the American qualifier Steve Campbell, 6-4, 6-0, 6-2.

Karol Kucera, the unseeded Slovak who won the Sydney tuncup last week, beat Daniel Nestor of Canada, 6-2, 7-6 (7-3), 6-1. He now faces Richard Fromberg of Australia, who beat Sebastian Larran of Canada, 6-0, 6-2, 4-6, 6-3.

## SEEING DOUBLE By Dave Tuiller

- ACROSS
- 1 Where the 1986 World Series was won
- 5 Lot
- 9 Automotive pioneer
- 13 Prepare to go home, in a way
- 19 Overtime
- 21 Kind of service
- 22 List reader
- 23 Coffee addict's meal?
- 25 Special correspondent
- 26 "Soop" spinoff
- 27 Humpty Dumpty short?
- 29 Like ghost stories
- 33 Saying nothing
- 35 News
- 36 Awakened
- 37 Computer program input
- 41 Ticket place: Abbr.
- 42 Sch. subject
- 45 Flowing woe
- 46 Hydrocarbon derived from petroleum
- 47 1962 NASA success
- 49 An otherwise well-behaved liar?
- 53 One-on-one sport
- 55 Channel fragrance
- 56 "—precaution
- 57 "Voice Carry" vocalist Mumm
- 58 90's actor Epps
- 59 Luke's "90210" role
- 60 Pansy support with a repetitive name
- 62 Landscape's tool
- 64 Caprimackel, e.g.
- 65 Method for mixing cards, Illinois-style?
- 70 Divided into sections
- 72 Highlander's home?
- 73 Oceanus and brothers
- 75 Some construction beams
- 76 Part of a wagon train
- 77 Profit
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- 81 Old "Tonight Show" theme writer
- 82 Grade
- 83 Tor's plaything?
- 86 Fumes
- 88 Gathering places
- 90 Sale item label
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- 96 —Albata
- 98 Had
- 99 Sells
- 101 What to serve stew in?
- 105 Hard
- 106 Natural gas component
- 109 Ice cream as still life?
- 115 Passes
- 116 Perfectly healthy, to the Army
- 117 Person who cracks a whip
- 118 Can't stand
- 119 Kind of home or room
- 120 Russian river
- 121 Tax
- DOWN
- 1 Gal of song
- 2 1970's Chinese premier
- 3 Erhard's discipline



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- 4 Part of a toll-free long-distance number
- 5 Less exposed
- 6 Identical
- 7 Haughtiness
- 8 Woodworking groove
- 9 Control
- 10 Blockers, e.g.
- 11 Vestige
- 12 Twisted fabric
- 13 Verbal dueling
- 14 God, with "the"
- 15 Cords
- 16 Purine alternative
- 17 "Later"
- 18 Brickmaker's furnace
- 20 Jewish teacher
- 24 Semtex
- 26 Swirling part
- 29 Family head
- 30 Some Bach compositions
- 31 Rascal infestation?
- 32 Underway to over there
- 34 Consumer
- 38 French clergyman
- 39 Bassoon, basically
- 40 Was overrun
- 42 Yeast, fruit and nuts?
- 43 Tree with pods such?
- 44 "The Gift of the Magi" feature
- 48 Monster in the Sea of Marmara
- 50 Scottish landowners
- 51 Thresh: Prefix
- 52 "—cloud mine"
- 54 One of Henry VIII's six
- 58 Flirt with, maybe
- 59 Less sane
- 61 "Wozzeck" and "Jenufa"
- 62 St. Patrick's home
- 63 —gratia
- 66 Land on the Rubicon
- 67 Guys
- 68 Smallpox symptom
- 69 Let go
- 70 Suffix with endo- or proto-
- 71 LFI one
- 74 Gold coins of ancient Rome
- 76 Central vein of a leaf
- 77 One of a ballroom couple
- 78 Sport— (equestrian vehicles)
- 80 O. Henry Award-winning author Tillie—
- 82 Whiplash preventer
- 83 Flawlessly
- 84 English poet
- 85 Cuss (out)
- 87 Marmoset and such?
- 89 Savers by profession
- 94 Had too much of
- 95 "What thou?"
- 96 Swiftly
- 97 Deep, unnatural sleep
- 100 Jean Renoir film
- 101 Basis
- 102 —Reader (edictic magazine)
- 103 Great, in slang
- 104 Dwindle
- 106 Roguish subject
- 107 Singer Adams
- 110 Basketball Hall-of-Famer Holman
- 111 Down
- 112 Somewhat exotic meat
- 113 Abbr. after a general's name, maybe
- 114 Aim



A victorious Cedric Pioline of France returning to Alex Corretja of Spain at the Open on Friday.

## Hornets Keep Rockets Under a 'Dark Cloud'

Compiled by Our Staff From Dispatches

Charles Barkley called Houston's five-game losing streak a "dark cloud" that had nothing to do with injuries.

"We're struggling right now, man," Barkley said after the Rockets' 93-86 loss Thursday night to the Hornets in Charlotte. "We've got more pressing concerns than injuries."

Those concerns involve Houston's efforts to acquire the point guard Damon Stoudamire from the Toronto Raptors — and the Rockets' apparent willingness to give up as many as three players to make a deal.

"We're in an emotional funk right now — we've got to do something about that trade situation," said Barkley, who finished with 13 points.

The Hornets won the game Thursday on the shoulders of David Wesley, who scored 28 points. He made a 3-pointer from the top of the key to tie it at 70 with 9:47 left. He then blocked Rodrick

## NBA ROUNDOUP

Rhodes's lay-up attempt at the other end and hit another 3-pointer from the left wing.

Pistons 94, Clippers 76 Grant Hill scored 35 points as Detroit got back to the 500 mark with a victory over the Clippers in Los Angeles.

With the Pistons ahead 80-69, Joe Dumars hit a 3-pointer to start a 9-0 run that put Detroit in front 89-69 with 2:23 left. The Pistons played without Brian

Williams, who is sidelined by tendinitis in his left knee.

The Clippers trailed by 43, nearly in the third quarter before Hill scored six straight points to build the lead to 18. Hill and Dumars each scored nine points in the third quarter as the Pistons led by 65-54 entering the final period.

Cavaliers 112, Kings 96 In Cleveland, Shawn Kemp led six players in double figures with 20 points, helping the Cavaliers snap a three-game home losing streak with a victory over Sacramento. The 112 points were Cleveland's highest offensive output this season. Cedric Henderson scored 16 points and Wesley Person added 15 for the Cavs, who have defeated Sacramento 22 times in their last 27 meetings. (AP Writers)



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MEN'S FASHION / A SPECIAL REPORT

# Tailoring and Sportswear Merge to Make the Classic Cool

By Suzy Menkes

**P**ARIS — When Yohji Yamamoto sent out his entire fall menswear collection worn by women friends — albeit mostly androgynous types like the beanie-wearing former model Ines de la Fressange and the skinnier actress Charlotte Rampling — it marked a fashion moment.

After years of gender bending and role reversal, fashion seems to have reached a balance between the sexes that may be easier to achieve in the wardrobe than in the workplace.

Now men can wear fluffy sweaters and velvet suits as nonchalantly as women can don male tailoring. And with nothing less to prove about how outrageous men's clothes could be, the French fall shows, which run through the weekend, are about discreet luxury and a return to traditional tailoring values as seen through a prism of modern sportswear.

For new generation designers, it is now cool to be classic — providing that the eternal male wardrobe has absorbed evolutionary fashion changes in fabric and case. The result? A revival of tailoring that incorporates the sportswear revolution and the overwhelming "casualization" of fashion. Read comfort fabrics, a super-light construction and athletic details.

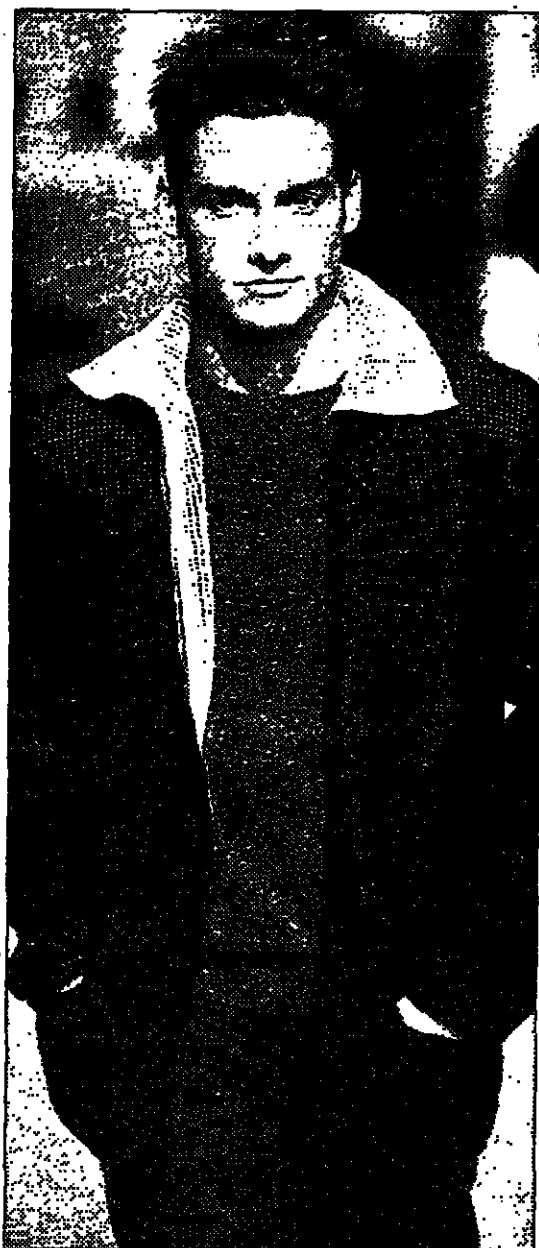
Paul Smith, once a streetwear designer, continued his love affair with the aristocracy that he began last season. Smith grabbed from milord's dressing room the glen checked suit, swankily cut with a single vent at the back, a terracotta tweed jacket and a pair of shrimp-pink cords, a chalk striped city suit and an embroidered velvet evening vest.

Those elements were mixed together to give an insouciant touch to the classics and to create from the traditional a modern-romantic wardrobe. Although the first, courtiered part of the show, with its leafy backdrop, bird-embroidered vests and Duke of Windsor-style tailoring was the strongest, the urban velvet suits and short fitted coats were stylish.

But Smith insisted that seeing the show was only the half of it.

"You have to look inside!" he said, referring to the handmade shirts, the hand-stitched purple silk lining to a black velvet jacket and the ribbon of crimson velvet inside the waistband of Prince of Wales pants — old-style tailoring details that are now cherished.

In his own hard-man fashion, Thierry Mugler was also on the English gentleman track, giving traditional men's suittings a witty spin by using dog-tooth check and herring-bone for sweaters; gray flannel boots completed the total look. Touchy-feely fabrics like chenille



From left, Yohji Yamamoto's big coat and loose tailoring worn by the former model Ines de la Fressange; Hermes's sporty zippered cashmere cardigan with contrast color and flecked sweater with tailored pants, and Paul Smith's mismatched check suit and bird-embroidered velvet vest.

and boiled Shetland softened Mugler's military cut, and moved the line forward in a strong show.

To prove that young designers are into tailoring, the Transylvanian Udo Edling opened his show Friday of sleek modern suits with tailoring patterns drawn on the bodies of his models, jackets made out of the canvas toile or just a pair of gray flannel lapels. Dirk Schoenberger from Cologne gave the traditional a twist by making tailored cargo pants with open pockets and putting thick knits over jackets.

Men's fashion is now about not statements but details — hence Hermes encapsulating discreet luxury by using its legendary silk prints just on the underside of a pocket flap on a sweeping high-waisted coat. Everything in this show was ultra-subtle, from the symphony of grays lighted with a flash of sky blue, primrose yellow or spring green, through the sportswear details: the crisscross underarm gusset on jackets, the leather toggle on the zipper of a cashmere cardigan and the glazed-kid sneakers.

The designer Veronique Nihanian played gracefully with Hermes signatures like butter-soft leather, and if the parade seemed whisper quiet, it was also ultra-classy.

At Lanvin, Dominique Morlotti was also into discretion, adding only colors like wine-dreg red and bruised-plum to his palette of grays, chocolate to tobacco browns and beiges — although variety came with interesting textures from felted wools and alpaca through tough leathers and padded cottons. Since modern fashion is in the mix, Lanvin caught

that in gray parka matching the suit underneath as though sport and city had melded into one look. Morlotti is strong on outerwear, especially well-proportioned short, sporty coats and the occasional sweep of long.

Just when you thought that the short topcoat, from car coat to knee length, was the height of fashion, the fall collections are coming up with a challenge. At Issey Miyake, the designer Naoki Takizawa gave long coats his best shot, making them modernist in silicone-glazed cotton, as soft as jerseys when

the fabrics were washed in an alkaline solution, or luxurious in cashmere, with funnel necklines. They also came as beige scarf coats with fringing at neck and hem. Those neutral colors in inventive fabrics contrasted with the eye-popping batik prints that opened the show, but worked only when the pattern was reduced to faded dots on a shirt.

Joe Casely-Hayford showed a collection as if, in the British designer's words, a "hidden camera" had filmed tough guys in a public housing project. If you forgot the knuckers (especially in fluffy mohair) and the low-slung pants with flopping front flaps, there were strong tailored pieces. The designer saw double, putting a short sleeved sweater over a long version and using the double shirt as a signature. Casely-Hayford also endorsed the zippered cardigan that is becoming the alternative jacket of the new fall season.

The absence of color, with a predominance of gray, is putting designers with a strong palette out on a limb. Christophe Lemaire handled color well for his close-to-the-body, French school-boy silhouette, playing with boncavaux and purple for a felt coat and its scarf.

When you think of the subtle of Claude Montana's past palette with its tender gradations of tone, his colors seemed out of sync not just with current fashion, but also with his own aesthetic. He showed orange mohair coats, a brown sweater with a pattern of glowing flames and striped or window-pane checked suits in red and orange, although there were a few marginally quieter pieces in beige dog-tooth checks with the new softer shoulder and rounded neckline. And the designer was defiant about his get-out-your-sunglasses colors.

"It's time to wake up with color," Montana said.

Ignore the women models and Yamamoto's show was still appealing. Taking a generous silhouette, he created long coats and his signature square-cut suits, but gave them a spine of over-stitching at the back to emphasize the straight cut. Tailors' busting stitches were used as random decoration.

Modern romantic was also the story in this collection, spelled out in the tactile fabrics, including the furry collars on coats, fleecy jersey jackets, clotted-cream or khaki cottons and damask-woven pattern.

But why those women, of different ages and types, to show the clothes?

"I started by thinking about who is my customer," the designer said backstage. "My customers are not businessmen and I know that many women wear my men's clothes — and it seemed very normal."

SUZY MENKES is fashion editor of the International Herald Tribune.

## That Indefinable Air Of French Male Chic

By Rebecca Voight

**P**ARIS — Haughty and notoriously self-critical, Frenchmen have a love-hate relationship with clothes and they are proud of it. While the English celebrate eccentricity, Italians radiate proud sensuality, and Americans are a clean-cut team, the French manage to be both in and beyond fashion.

Jean Paul Gaultier may put men in skirts, but he's never without his classic blue and white stripe French sailor's sweater. And the chain-smoking characters dressed down in minimalist dark suits and skinny gray sweaters at a Paris gallery opening today wouldn't look out of place in one of Francois Truffaut's New Wave classics.

"I come from a country where nobody dresses up, not even to go to the theater, so France impresses me," said Mathias Vriens, editor in chief of Dutch, the European fashion magazine that is edited in Paris. "A young French boy in a bourgeois navy blue coat and boring flannel trousers can be more intriguing than someone in a pair of screaming orange pants by W&LT."

Fred Sanchez and Fred Bladon, the "sound illustrators" for fashion shows from Jil Sander to Calvin Klein, describe themselves as "hyperclassics." Their choice is a Gallic razor's edge edit: suits by Helmut Lang and Prada, Brooks Brothers shirts, and "Chelsea" boots from the French shoemaker Weston.

This is topped with odd finds like a sky-blue scarf that Bladon recently unearthed in Old England, Paris's out-of-time purveyor of style from across the Channel.

The Paris press attaché Guillaume Chaillet wears clothes to suit his urban life on a bicycle, but he doesn't look like New York City messenger. In khaki chinos from APC and a Saint James turtleneck, he admits he likes being

chic. "I might wear a suit, but without a tie," he adds. "The French love fashion, but they're snobby enough to know how to protect themselves from it."

Seraphin Dupellier, a journalist and director on "Paris Modes," a weekly fashion television program, thinks French designers have lost touch with Frenchmen. "The Italians and the Americans have a strong sense of marketing. They always design with a customer in mind. In France, we have such a high opinion of creativity, the idea of who will wear the clothes often gets lost."

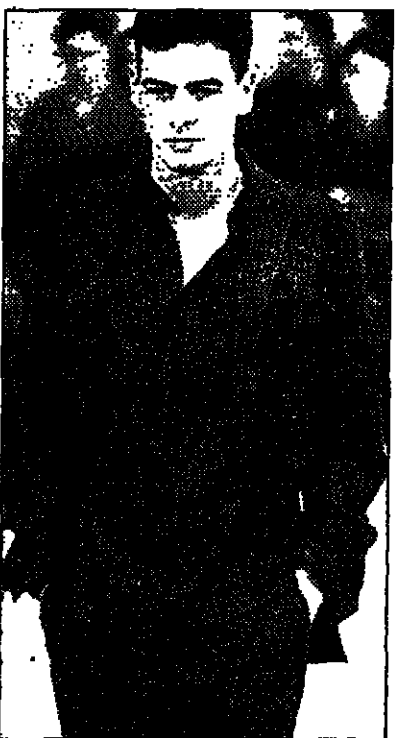
Reviving France's men's fashion identity is a focus for Hedi Slimane, designer at Yves Saint Laurent. "It's in the shoulders," says Slimane of the classic tailoring in the new collection inspired by the period around 1969 when Saint Laurent designed the menswear himself. "I'm trying to get back to a Saint-Germain-des-Près attitude like a YSL duffle coat over a sweater."

The designer Christophe Lemaire is into the same period. He likes the rumpled chic of crooners like Serge Gainsbourg or Jacques Dutronc. "France hasn't had a clear style for the past 20 years," he laments. "Men on the street here look like traveling salesmen."

When he wants something new, Edouard Lehmann, the French photo editor who works with Mario Testino, visits the Parisian tailor Francesco Rovito, whose style hasn't budged since he made suits for Salvador Dali.

The "old is better" point of view rules in French cinema, too. The costume designer Olivier Beriot, who worked on Robert Altman's "Pret-a-Porter," might mix Agnes B. and secondhand clothes from Paris's Guerrisold for a film set in modern France.

In real life, the actor and documentary director Nils Tavernier goes for "non-stop jackets — the kind you can wear with anything." Tavernier says he is sensitive to clothes, but admits his own



Christophe Lemaire's take on French chic with a pin-stripe suit.

wardrobe is a limited mix of sneakers, biker jackets and pieces from old films. "I used to get dressed at the flea market for 20 francs," says the comic actor Elie Semoun. "I've been a mix of zazzou, ska and punk, but I've never been out of a suit."

The interior designer Jean-Louis Riccardi, currently renovating Paris's Riccardi, says the French can be the worst-dressed men in the world. "Change is not a way of life for the French, that's their weakness, but also their strength," he says. "It's a tradition he feels at home with. 'I like strict clothes,' he adds, 'My ideal is the priesthood.'"

The architect Christian Biecher agrees. "French style at its best is the art of turning your back on fashion."

REBECCA VOIGHT is a freelance journalist based in Paris.

## Dusting Off the British Classics Venerable Brands Go Modern With Help From U.S.

By Roger Tredre

**L**ONDON — They never show on the runways. The fashion revolution of the 1980s passed them by. Their sales, led by classic English men's tailoring and coats, have ticked over pleasantly but unspectacularly.

It has been a long slumber, but British classic clothing companies are waking up at last.

The most venerable brands in Britain — Burberrys, Austin Reed, Alfred Dunhill, Daks-Simpson, Aquascutum — want a bigger slice of the fashion action.

Austin Reed leads the charge this month with the relaunch of its 98-year-old brand. The top-to-bottom spring cleaning marks a head-on bid for a new, younger customer. The strongest sign of their intent? The tennis star Greg Rusedski has been signed up for an advertising campaign.

Next off the block will be Burberrys, which last fall head-hunted the president of Saks Fifth Avenue, Rose Marie Bravo, to lead what is being billed as the most radical overhaul in the company's history.

Bravo, who describes Burberrys as a "world-class luxury brand," is keeping her plans under wraps. But the launch of an upfront new advertising campaign next month, photographed by Mario Testino and featuring the model Stella Tennant, gives a strong hint that Burberrys, with sales of £270 million (\$432 million) last year, is heading for fashion with a capital F.

History has proved both burden and blessing to Britain's classic companies. "British companies have been clogged up by their past," said Jeremy Franks, chief executive of Daks-Simpson. "The successes of the past should be a platform for the future."

Names such as Daks-Simpson and Austin Reed are making proud play of one of their strongest selling points — men's tailoring made in Britain. Other companies which have moved away from their roots in manufacturing terms are refocusing on their Britishness. Alfred Dunhill, which appointed Hackett founder Ashley Lloyd-Jennings as creative director last summer, has launched a capsule collection titled "Made in England."

But in the modern fashion world, it is no longer enough to be simply classic. The serious global players have to offer something more: a sense of progression, of engagement with the modern fashion world.

Daks-Simpson, which was acquired by the Japanese licensee Sankyo Seiko in 1991, is expanding its sportswear offer with the launch of a chino collection for next fall.

Franks, together with other British executives, admits there are lessons to be learned from the Americans — not least from Ralph Lauren who turned British style into an American success story.

At Burberrys, Bravo is assembling a galaxy of American retailing talent. In recent weeks, she has brought in J. Stanley Tucker from Saks Fifth Avenue to run menswear, Michele Smith from Barneys to run womenswear, and Robin Marino, formerly of Donna Karan and Ralph Lauren, to run accessories.

AUSTIN Reed is also learning from the Americans. Key innovations include new lines Reed Men and Sport Reed, a move into sportswear and the bridge

from the old stiff-upper-lip Austin Reed tailoring.

The changes at Austin Reed amount to a rebirth, argued Roger Jennings, retail managing director. "We've moved away from traditional British to modern British. We're much more in line with designer brands in styling and image, but not at the same price points."

Austin Reed has also set up a fully integrated design studio, now initiating styles and fabrics rather than operating through a team of buyers.

**T**HE American Chris Pendleton, director of merchandising and retail at Aquascutum, says the American approach to merchandising can benefit by "dusting off" the British way of doing business.

Pendleton's approach at Aquascutum is less radical than the plans for Austin Reed and Burberrys. Aquascutum tested the waters with a more fashion-forward product in the mid-1990s with disappointing results. The chief executive, James Pow, subsequently left to be replaced by Jiro Tanaka. (Aquascutum was bought in 1990 by Renown, a leading Japanese manufacturer.)

The revised Aquascutum approach is described by Pendleton as "a redefinition and update of classic clothing with the focus on coats and tailoring." Aquascutum also has plans for a high-speed advertising campaign from March to put the brand back on the fashion map.

No one is pretending these historic brands can "do a Gucci" overnight. But, at long last, as the millennium comes to a close, a start has been made.

And who knows? Maybe someday we'll see them on the runway.

ROGER TREDRE is features writer for The Observer.

## At Florence Fair, Soft Natural Fabrics Define 'Minimalist Sobriety'

By Lucie Muir

**F**LORENCE — Just days before the swanky menswear collections in Milan, Italian apparel and accessories designers unveiled their take on fall/winter 1998-99 at the prestigious menswear show Pitti Uomo in Florence.

While Milan captured the short-term trends from top-notch designers, Pitti Uomo gave a long-term vision of menswear from 632 clothing and textile manufacturers in the medium to high-end market niche.

Over the four-day show, the focus was on

luscious fabrics, including featherlight wools, baby alpaca, slippery velvets and, above all, cashmere, which made the news on everything right down to underwear.

To get the right mood for the season's soft tailored suits think Cary Grant, Humphrey Bogart and the most dapper of English country gentlemen circa 1940. While for resilient outerwear looks in "cooked" soft-boiled wool, moleskin, thick-cut corduroy, big knits and warm tweeds, think Brad Pitt in "Seven Days in Tibet."

The great outdoors proved inspirational at Tuscan Square which launched its first men's apparel line. The designer Pino Luongo used "Casentino" wool, a boiled wool worn by Tuscan

farmers at the turn of the century, and updated it on jackets, shirts, vests and even shoes.

"The idea is to bring a little rusticity to refined styles and show that traditional fabrics can be extremely modern with the right cut and color," said Luongo. As well as the nubby wools, Tuscan Square combined corduroy sports jackets with moleskin pants and loden vests. All were matched by earthy shades of olive green, clay, smoke and berry.

Slaying outdoors, Canali, Hollywood's favorite suit maker, contrasted wool and cotton on sleeves and hoods in its new outerwear collection. As to the importance of next season's natural fabrics, the company's public relations

official, Elisabetta Canali, said, "The days of experimenting with technical fabrics are over. Now there's a minimalist sobriety in the shape and cut of men's clothing and, even though the fabrics may seem simple, they are extremely precious."

Marzotto, the textile and apparel giant, unveiled soft, loose-fitting corduroy jackets with a Prince of Wales check to its Principe line, while casual tweed suits and Shetland wool knits came center-stage in its trendy DVO line.

Another leading textile and clothing name, Ermenegildo Zegna, showed lightweight anoraks made with its trade mark fabric Microtène. The peach-skin hand of this natural cloth makes act-

ivewear waterproof. Zegna was among those to deconstruct and take linings out from jackets to give minimal weights and shapes. In a work of tailored engineering, it presented the edge-cut *caban*, in a weightless wool flannel, which took shape on the body.

Understated and pricey said it all in Valentino's floor-length alpaca overcoats, Maria Sirtini's cashmere leisure suits, and Mondo di Marco's cashmere jeans. Even ties are set to be luxurious in the finest-gauge cashmere, flannel and wool.

LUCIE MUIR is a fashion writer based in Milan.



صكدا من الأهل

SPORTS

# Lure of TV's Big Money Could Quickly Change the Face of European Soccer

FOR YEARS I have been arguing with my European colleagues that Manchester United will someday quit playing in Britain, that Barcelona will break its ties with the Spanish league and that other top clubs will follow suit to form

soccer's version of the National Football League. My side of the argument grew stronger after the NFL recently signed a series of television contracts worth at least \$17.6 billion over the next eight years.

The day is fast approaching when the major soccer clubs in Europe—Inter Milan, Juventus, Bayern Munich—will be receiving similar offers. Do you think they're going to turn up their noses at such money?

"It will be interesting to see whether their governments will permit it," Dick Ebersol, president of NBC Sports, said from San Diego a few days before his network's telecast of the Super Bowl on Sunday.

Ebersol pointed out that European soccer is intertwined with the mightiest political forces on the Continent. American football knows few such constraints. The NFL is a commercial enterprise whose prime directive is to earn the highest possible television ratings.

But, as hard as it is to believe, European soccer is headed in that direction. It has nothing to do with copying America; it has everything to do with exploiting, and being exploited by, television.

According to European sports-marketing insiders, unofficial discussions of a Super League have already begun on the basis that such a league would gross \$2 billion annually—roughly equal to

the NFL's television income. At first the Super League clubs would maintain allegiances with their domestic leagues—Manchester United, for example, would continue to play in the English Premiership. Very quickly that would change as the Super League clubs began competing against each other, using their windfall to buy star players at every position.

If Manchester United is dominating English soccer now, imagine how things will be after a few years of heavy-duty splurging. "At what point is it no longer good entertainment for Manchester United to stay in the Premier League," asked Peter Syropis, managing director of Pirana, one of the leading international sports-and-television mar-

keting firms, "because remember, entertainment is what drives TV?" Syropis is one of many in his field who believes the big clubs will have to make a decision sooner rather than later. All trends seem to be leading Europe toward the conclusion formed by American long ago—for better or for worse—that sports at the most lucrative level are moving pictures, entertainment, a suspenseful narrative played out by star performers, a derivation of Hollywood.

The European Court of Justice already has dynamited tradition with a ruling that has guaranteed free agency and free movement across European borders for athletes. This has invited the top clubs to begin assembling talent from every country in

## In America/IAN THOMSEN

## Super Bowl XXXII on Television

The Super Bowl XXXII on Jan. 25 begins at 7 p.m. EST. According to the NFL, it will be broadcast in the following countries:

Algeria: ESPN  
Argentina: ESPN  
Australia: ESPN  
Austria: ESPN  
Belgium: ESPN  
Brazil: ESPN  
Canada: ESPN  
Chile: ESPN  
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Saudi Arabia: ESPN  
Singapore: ESPN  
South Africa: ESPN  
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## Penguins Stymie Devils With Barrasso's 24 Saves

Tom Barrasso made 11 of his 24 saves in the third period, helping the Pittsburgh Penguins hold on for a 3-2 victory over the New Jersey Devils.

Jaromir Jagr and Stu Barnes each had a goal and an assist, and Kevin Hatcher also scored for Pittsburgh, which has won the last two meetings after losing five straight to New Jersey.

Barrasso came up with several spectacular stops in the final period Thursday night after the host Devils closed to within one goal after Scott Niedermayer scored with 12:13 remaining.

Maple Leafs 3, Blackhawks 0 In Chicago, Felix Potvin stopped 23 shots for his second consecutive shutout, and Mats Sundin had a goal and an assist to lead the Toronto Maple Leafs past the Blackhawks.

Mighty Ducks 4, Avalanche 3 In Denver, Paul Kariya recorded a goal and two assists and linemate Teemu Selanne added three assists as Anaheim survived a late rally and snapped a seven-game losing streak against the Avalanche.

## SCOREBOARD

### ICE HOCKEY

#### NHL STANDINGS

TEAM	W	L	T	Pts
Philadelphia	27	12	5	59
Washington	24	17	8	56
N.Y. Rangers	21	18	5	47
Florida	15	25	4	34
N.Y. Islanders	16	26	7	39
Tampa Bay	10	26	4	24
Atlanta	16	27	5	37
Pittsburgh	21	17	9	51
Boston	21	17	9	51
Ottawa	19	22	8	46
Buffalo	19	22	8	46
Carolina	12	26	4	28
St. Louis	21	17	9	51
Phoenix	22	16	6	50
Chicago	19	21	9	47
San Jose	17	24	7	41
Los Angeles	17	24	7	41
Edmonton	17	24	7	41
Anaheim	17	24	7	41
San Jose	17	24	7	41
Calgary	12	26	4	28
Vancouver	12	26	4	28

### NBA STANDINGS

#### EASTERN CONFERENCE

TEAM	W	L	Pct
Atlanta	25	14	.641
New York	23	16	.590
New Jersey	23	17	.575
Washington	21	21	.500
Orlando	19	22	.460
Boston	17	22	.435
Philadelphia	13	24	.350
Charlotte	12	27	.304
Indiana	20	16	.556
Albany	19	17	.526
Cleveland	23	16	.590
Chicago	24	17	.585
Detroit	20	20	.500
Los Angeles	19	22	.460
Toronto	7	33	.175
Utah	22	12	.646
San Antonio	20	13	.606
Minnesota	23	16	.590
Houston	18	20	.474
Vancouver	11	30	.267
Dallas	22	17	.562
Denver	2	37	.051

### EUROLEAGUE

#### SECOND PHASE

TEAM	W	L	Pct
Crailsheim	25	14	.641
Turk Telekom	23	16	.590
Bayern Munich	23	17	.575
Real Madrid	21	21	.500
Orlando	19	22	.460
Boston	17	22	.435
Philadelphia	13	24	.350
Charlotte	12	27	.304
Indiana	20	16	.556
Albany	19	17	.526
Cleveland	23	16	.590
Chicago	24	17	.585
Detroit	20	20	.500
Los Angeles	19	22	.460
Toronto	7	33	.175
Utah	22	12	.646
San Antonio	20	13	.606
Minnesota	23	16	.590
Houston	18	20	.474
Vancouver	11	30	.267
Dallas	22	17	.562
Denver	2	37	.051

### CRICKET

#### WEST INDIES VS. AUSTRALIA

TEAM	W	L	T	Pts
West Indies	25	14	.641	
Australia	23	16	.590	
Bayern Munich	23	17	.575	
Real Madrid	21	21	.500	
Orlando	19	22	.460	
Boston	17	22	.435	
Philadelphia	13	24	.350	
Charlotte	12	27	.304	
Indiana	20	16	.556	
Albany	19	17	.526	
Cleveland	23	16	.590	
Chicago	24	17	.585	
Detroit	20	20	.500	
Los Angeles	19	22	.460	
Toronto	7	33	.175	
Utah	22	12	.646	
San Antonio	20	13	.606	
Minnesota	23	16	.590	
Houston	18	20	.474	
Vancouver	11	30	.267	
Dallas	22	17	.562	
Denver	2	37	.051	

### SOCCER

#### FRIDAY IN EUROPE

TEAM	W	L	T	Pts
Crailsheim	25	14	.641	
Turk Telekom	23	16	.590	
Bayern Munich	23	17	.575	
Real Madrid	21	21	.500	
Orlando	19	22	.460	
Boston	17	22	.435	
Philadelphia	13	24	.350	
Charlotte	12	27	.304	
Indiana	20	16	.556	
Albany	19	17	.526	
Cleveland	23	16	.590	
Chicago	24	17	.585	
Detroit	20	20	.500	
Los Angeles	19	22	.460	
Toronto	7	33	.175	
Utah	22	12	.646	
San Antonio	20	13	.606	
Minnesota	23	16	.590	
Houston	18	20	.474	
Vancouver	11	30	.267	
Dallas	22	17	.562	
Denver	2	37	.051	

### THE WEEK AHEAD

#### SATURDAY, JAN 24

### THIS ROUND

**PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. Cedar Rapids, Iowa. **PER KATKO** 60, Czech R. del. Vince Spillanes Jr. del. Alma Correll 11, 2nd. 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#### FRIDAY IN EUROPE

TEAM	W	L	T	Pts
Crailsheim	25	14	.641	
Turk Telekom	23	16	.590	
Bayern Munich	23	17	.575	
Real Madrid	21	21	.500	
Orlando	19	22	.460	
Boston	17	22	.435	
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Utah	22	12	.646	
San Antonio	20	13	.606	
Minnesota	23	16	.590	
Houston	18	20	.474	
Vancouver	11	30	.267	
Dallas	22	17	.562	
Denver	2	37	.051	

### SOCCER

#### FRIDAY IN EUROPE

France vs. Sparta Kingston, Jamaica — Jamaica vs. Sweden, Georgetown, Cameroon — Sweden vs. England, Taipei, Taiwan, Tuesday — Nigeria vs. Yugoslavia; Hong Kong — Iran vs. Nigeria.

**THURSDAY, JAN. 29**

**CRICKET, Kingston, Jamaica** — West Indies vs. Caribbean, 1st test, Feb. 2.

**BASEBALL, Los Angeles** — Tampa Bay Devil Rays vs. Houston Astros, Feb. 1, 11 p.m. Pacific Time.

**BASEBALL, California** — men, Pebble Beach National Pro-Am, Feb. 1.

**BASEBALL, Los Angeles** — Anaheim vs. Seattle, 7 p.m. Pacific Time.

**SOCCER, Internatly Intercontinental Bangkok, Thailand** — Australia vs. North Korea.

**FRIDAY, JAN. 30**

**ATHLETICS, Boston** — Boston Indoor Marathon, 10 a.m.

**CRICKET, Adelaide, Australia** — Australia vs. South Africa, 3rd Test, Feb. 3.

**BASEBALL, Los Angeles** — Los Angeles vs. Seattle, 7 p.m. Pacific Time.

**SOCCER, Nagano, Japan** — meeting of the World Cup, 10 a.m. local time.

**SOCCER, Breckenridge, Colorado** — Free Style World Cup, Feb. 1.

**SATURDAY, JAN. 31**

**ATHLETICS, Torrance, Florida** — World Tour Country Challenge Las Vegas — Los Angeles vs. New York, 10 a.m.

**BASEBALL, San Francisco** — San Francisco vs. Milwaukee, 7 p.m. Pacific Time.

**BASEBALL, Los Angeles** — Los Angeles vs. Seattle, 7 p.m. Pacific Time.

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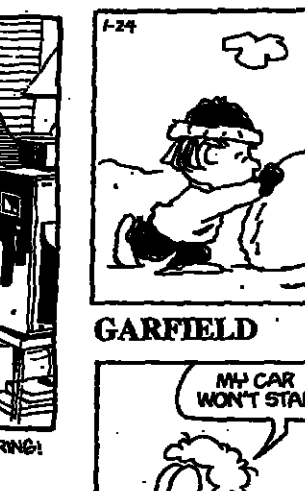
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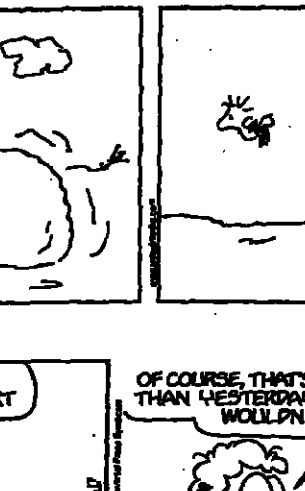
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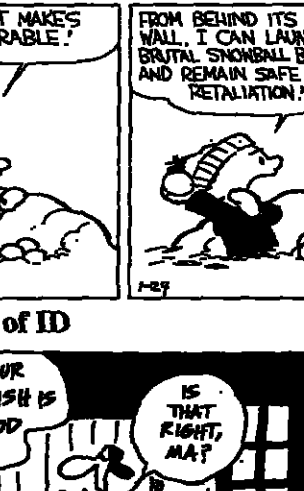
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DAVE BARRY

## Brassieres and Deadly Yogurt

MIAMI — Recently, one of our local TV news shows in Miami did a special investigative report on — I swear — brassiere sizes. The station promoted this report relentlessly for several days. Every few minutes you'd hear an announcer's voice saying, with an urgency appropriate for imminent nuclear attack: "ARE YOU WEARING THE WRONG BRA SIZE?"

You'd have thought that women were dropping dead in the street by the thousands as a result of improperly sized brassieres. I was becoming genuinely concerned about this problem, despite the fact that, except on very special occasions involving schnapps, I don't even "wear" a brassiere.

Unfortunately, although I saw dozens of promotions for this special investigative report, I never saw the report itself. I assumed that the message would be: "Wear the right size brassiere!"

My point is that, pound for pound, the most dramatic and entertaining programming on television is your local TV news shows. Their only serious competition is the cable channel that, 24 hours a day, features the TV Evangelists With Hairdos The Size Of Adult Yaks.

If you don't receive the Big-Haired Evangelists channel, you need to march right down to your cable company and throw rocks through the windows until you get it, because these people are WAY more entertaining than any space alien you will ever see on "Star Trek."

My favorite is a woman with a gigantic mound of hair colored exactly the same designer shade as Bazooka brand bubble gum. Perhaps this fact explains why, almost every time I tune in, this woman is weeping. Her tear ducts must be as big as volleyballs. Using the standard evangelical measurement of Gallons of Weeps per Broadcast (GWPB), this woman could very well be threatening the seemingly unbreakable records set back in the glorious '80s by Hall-of-Famer Tammy Faye Bakker.

I would pay serious money to see a Weep-Off between these two great performers. But as entertaining as these shows

are, their message tends to be somewhat repetitive ("God loves you! So send us money!"). Whereas on your local TV news shows, they're always surprising you with dramatic new issues that you should be nervous about. Often these involve ordinary consumer items that, when subjected to the scrutiny of a TV news investigative report, mutate into deadly hazards.

A while back, one of our Miami TV news shows — I think it was different from the one that warned us about improperly fitted brassieres — did a dramatic, heavily promoted investigative report on: frozen yogurt. This report, which seemed at least as long as "Alien Resurrection," but scarier, investigated the possibility of deadly bacteria in our frozen-yogurt supply. If I understood the report correctly, there have never been any cases of any actual person actually

being harmed by local frozen yogurt, but that seemed like a minor technicality. The point was: IT COULD HAPPEN! THE YOGURT OF DEATH!!

The way I have dealt with this menace is by taking the medical precaution of never eating frozen yogurt without first putting large quantities of chocolate fudge on it, on the scientific theory that the bacteria will eat the fudge and become too fat to do anything inside my body except sit around and belch. But I would not know to do this if it were not for local TV news.

I also would not know how I am supposed to feel about many stories if not for the fact that the TV news personalities make sad faces for sad stories and happy faces for happy stories. Sometimes, to make sure I understand the point, they come right out and tell me, at the end of each story, whether it was "tragic" or "nice."

FIRST PERSONALITY: What a tragic story, Bob.

SECOND PERSONALITY: Uh... no, it wasn't.

FIRST PERSONALITY: It wasn't? SECOND PERSONALITY: No.

That was the story about dogs playing mah-jongg.

FIRST PERSONALITY: Whoops! I had it confused with the story about the plane crashing into the orphanage! Ha ha!

SECOND PERSONALITY: Ha ha! Coming up, we'll have part four of our special investigative report: "Formica: Silent Killer In Your Kitchen."

Well, I see we've run out of time, so that's all for this week's column. Remember to be nervous about everything. And now for these words: brassiere brassiere brassiere.

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## Diva Joan Sutherland Takes Wing Again

By Anthony Tommasini  
New York Times Service

NEW YORK — During a career of more than 40 years, Dame Joan Sutherland traveled constantly. It took a toll on her peace of mind, on her family life, even on her troublesome knees, weakened by the countless times that, as mad Lucia, sleepwalking Amina and the other distraught heroines, she had to collapse onstage and die.

So it takes a lot to lure the legendary soprano, now 71, from retirement in southern Switzerland. But a request from an old friend she could not refuse and professional obligations of an entirely new type brought Dame Joan to Manhattan. Last week, to help Marilyn Horne, her sidekick from the bel canto opera circuit, Dame Joan participated in the events for the fifth anniversary of the Marilyn Horne Foundation, which provides recital opportunities for young singers. Dame Joan joined Horne for a panel discussion, offered a master class at the Juilliard Theatre and made a guest appearance at the annual gala benefit at Carnegie Hall.

Sutherland has also been promoting her book, "The Autobiography of Joan Sutherland: A Prima Donna's Progress," which has just been released in the United States by Regency Publishers. (It is already available in Europe and Australia.)

During an interview last week at the East Side club where she prefers to stay when in New York, Dame Joan insisted that she wrote the book herself, which, given its unadorned prose, is easy to believe. "I'm not a writer, let's face it," she said. "Perhaps the book is a bit schoolgirlish, like an English class composition." The story was largely assembled from what Dame Joan calls her "agendas," logs and scrapbooks of her career that go back to 1946, her first year as a contract singer with Royal Opera House at Covent Garden in London. "My only idea was to give younger singers insight into what a career involves besides singing," she said.

That, for sure, she accomplished. The book is a virtual catalogue of lessons taken, auditions attempted, roles learned, performances sung, ovations received and trips endured. Indeed, as much space is devoted to costume fittings as to her courtship with her husband, the conductor Richard Bonynge.

Yet the step-by-step account is, in a way, the point. "I wanted singers to understand how gradual my development was," she said. "Musical training today is much better than it was in my time. But the technical side — breath support, projection, the ability to sustain a legato line — this is lacking."

As an example of her own caution, Dame Joan pointed to the celebrated production of Bellini's "Norma" at Covent Garden in 1952.

Maria Callas sang the title role; she sang a minor one, Clotilde, Norma's attendant. "I lusted to sing Norma after being in those performances with Callas," she said. "But I knew that I could not sing it the way she did. It was 10 years before I sang the role. During that time, I studied it, sang bits of it, and worked with Richard. But I had to evolve my own way to sing it, and I would have wrecked my voice to ribbons had I tried to sing it like her."

Some critics in Europe have faulted the book for its



Dame Joan tests soprano Sonia Nicolai's breath control.

heavy inclusion of reviews. But Dame Joan thought this essential. "I can't say how I sang," she said. "I needed someone who was there, who was literate."

Some startling stories do leap from her account: her bouts with chronic sinus trouble that finally necessitated delicate surgery, amuck in the middle of her breakthrough performances in the 1959 Franco Zeffirelli production of "Lucia di Lammermoor" at Covent Garden, where the opera had not been presented in 34 years; the death of her mother when Dame Joan was about to make her much-anticipated Metropolitan Opera debut as Lucia, a date she kept despite the loss.

She reveals a self-deprecating humor, as when describing her square-framed, imposing physique, which, given the relative proportions of her modest bust and large rib cage, made her feel, in many costumes, "like a large column walking about the stage."

And there are some amusing accounts of diva spats. In early 1963, she was scheduled to do a joint radio interview with Birgit Nilsson for a Metropolitan Opera broadcast. Delayed in Washington by bad weather, she arrived late and exhausted, so she pulled out of a dinner party at Nilsson's apartment.

"Birgit was quite annoyed, since she had gone to a lot of trouble making Swedish meatballs and other goodies," Dame Joan writes. "Indeed, she didn't speak to me for some years."

Two months later, when Nilsson was asked in an interview whether Dame Joan's hair, which she wore at the time in a bouffant puff, was real, Nilsson replied, "I don't know, I haven't pulled it yet."

The tone of the book, many critics have said, is emotionally cool. What did she feel about the painful losses in her life: the sudden death of her father on her sixth birthday, or the suicide of her troubled

sister? "These things were sent to try us," she said. "One had to cope, life goes on, we have to change, and there we are."

What also comes through, though it is not news, is the central role played in her career by Bonynge. The marriage of the prima donna, who loves needlepoint and gardening, and the conductor, with his elegant manners and flair for fashion, may seem curious. But this is clearly a devoted partnership.

Bonynge was not just her primary repertory coach, who shifted her direction from the heavier roles of Verdi and Wagner, which she had been groomed for, to the bel canto coloratura roles that had languished until Callas championed them; he was also, in effect, her manager, caretaker, travel guide. He even tended to the decorating of their houses. "Rick was responsible for my longevity as a singer," she said in the interview. "He taught me so much, made me work, helped me interpret, and he wouldn't stand any nonsense."

In recent years, she and Bonynge have presented master classes together, which she much prefers to working alone. The day before the class at Juilliard, she was almost dreading it. "I don't really see the point of these so-called master classes," she said. "You talk to students for half an hour; hear them sing an aria, make some comments, and then go away and leave them. You don't like to interfere in so short a time with what their teachers might be doing. But I'm a technique nut, and if I hear something that could be improved, it's hard for me to let it go."

Despite her reservations, when the time came Dame Joan did "interfere," and often with frankness. The first student, Sonia Nicolai, a 27-year-old soprano, sang "Regnava nel silenzio," Lucia's Act I aria. Though the voice was bright and clear, Dame Joan said that the sound Nicolai was making was not all it could be. "Lots of breath is escaping from your sound," she said, as she placed her hand firmly on Nicolai's upper abdomen to check out how the young soprano uses her diaphragm for support.

She was also not happy with the way Nicolai delivered the text. "You enunciate each syllable, but it chops up the line," Dame Joan said. "Now, I was always criticized for my poor diction. And in certain cases I suppose I distorted the vowel sounds in order to have a smooth legato." But, she added, "I did make a warm sound," a statement that prompted the audience to applaud.

The next night, at the Marilyn Horne gala, Dame Joan's arrival onstage was greeted by a five-minute standing ovation. No doubt, what made the audience remember how much they missed her was a videotape of Dame Joan and Horne in a concert performance of the duet from "Norma," which was shown before Dame Joan appeared. Here was a vivid demonstration of the principles she had espoused in the master class: rich, full sound, even for the ornaments and coloratura passages; long-lined legato phrasing; nuance and subtlety. And vocal charisma, which is something that cannot be taught.

The "sheer exultation of singing," Dame Joan said in the interview, is what kept her going: "The ability to deliver that sound and beautiful music to an audience was very exciting. I miss it." But, she added, "I don't miss the travel."

## PEOPLE

OVERRULING a previous verdict, an appeals court in Milan cleared top Italian fashion designers from corruption charges related to a 1990 case, news reports said Friday. Among those who had their convictions overturned were Gianfranco Ferré, Krizia and Santo Versace, the late Gianni Versace's brother. The designers, along with some business executives, had been found guilty of bribing government tax inspectors in exchange for favorable audits and had received suspended sentences of up to two years in prison. The court said that it had found no wrongdoing and that the designers had been victims of extortion by the inspectors.

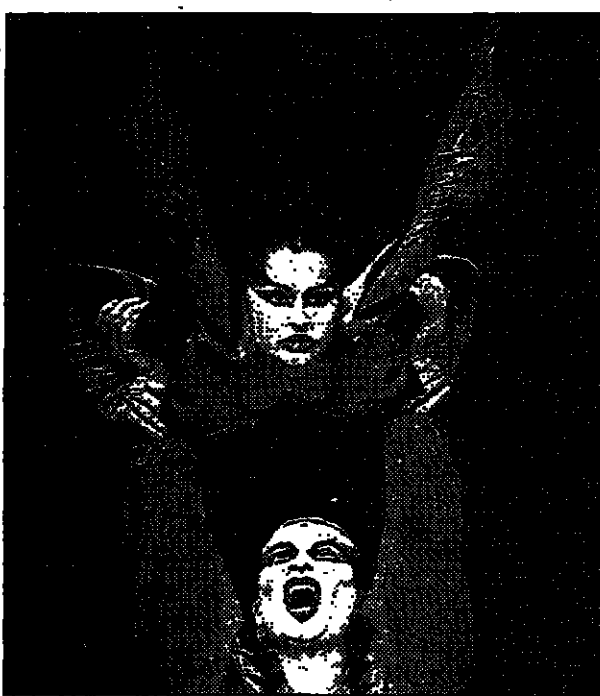
The defense lawyer Kenneth Kahn has settled his lawsuit against Oliver Stone. Kahn alleged that the producer consulted him for the movie "The People vs. Larry Flynt" but never gave him credit or used him in the film as promised. Co-defendants in Kahn's suit included the director of the film, Milos Forman. Kahn sought unspecified damages in his lawsuit, accusing Stone of breach of contract and fraud and deceit. The terms of the settlement were not disclosed.

The Brazilian ballerina Marcia Haydee is ending her 18-month absence from the stage with two performances at the Deutsche Oper in Berlin. Haydee quit as head of the Stuttgart ballet in 1996 and retreated from the stage for a while. Now she plans to dance in a version of "La Sylphide," created by Peter Schaufuss for the Deutsche Oper in 1982. Haydee will dance in two performances, on April 18 and 25.

The new home of the Piccolo Teatro in Milan will be named after its co-founder Giorgio Strehler, who died last month, the city's mayor said. Gabriele Albertini said the building, which will be officially inaugurated on Monday, would be called the Piccolo Teatro di Giorgio Strehler. The opening ceremony will feature the director's last work, Mozart's "Così fan tutte," which was completed by colleagues after his death on Dec. 25 at age 76.

Prince Charles cracked a rib falling from his horse last week, but he's still planning to ride in the Himalayan foothills next month, his office said. Charles fell on a steep bank while fox hunting on the north Wales border.

Canceled checks and a Christmas card from Ringo Starr are among the earthly possessions of the LSD guru Timothy Leary that will be auctioned by Christie's on Feb. 4 in New York City. The auction



READY FOR TAKEOFF — The French acrobatic duo, Samantha and Igor Iouvilova, performing at the 21st World Circus Festival being held in Paris.

office, is expected to have the Republican field to herself. Her studiously low-key entry into the race was unusual. Typically, a candidate will hold a news conference in hopes of launching a campaign with a burst of publicity.

But the 36-year-old widow of the celebrity congressman, who died in a Jan. 5 skiing accident that drew international attention, hardly needs to boost her name recognition.

At the same time, by avoiding questions, the political newcomer may have sought to avert the sort of stumbles that marked her late husband's first run for federal office, an unsuccessful 1992

house estimated Leary's tattered driver's license would go for \$600 to \$800, his 1982 passport for \$1,000 to \$1,500 and a photo of him with John Lennon and Yoko Ono for \$1,000 to \$1,500. "If Tim could see how much even little things he had were worth now, he'd have a good laugh," said Vicki Marshall, who was Leary's administrative assistant. The ashes of Leary, who died of prostate cancer in 1996, were rocketed into space last April.

Pat Conroy may be the new man in Scarlett's life. The best-selling author is negotiating with the Margaret Mitchell estate to write another sequel to "Gone With the Wind," according to published reports, which said the deal might be worth \$10 million. Conroy, who wrote "The Prince of Tides" and "The Great Santini," would be the first big-name novelist to write a "Gone With the Wind" sequel. A 1991 sequel, Alexandra Ripley's "Scarlett," sold millions of copies.

Michael Crichton admitted in court that he once turned in under his name an English paper written by the novelist George Orwell. He did it as a Harvard University student in an effort to prove that a professor was grading him fairly, the best-selling author testified in a lawsuit alleging he stole the screenplay for "Twister." The screenwriter Stephen Kessler brought the 1996 copyright-infringement lawsuit alleging Crichton and others plagiarized his screenplay, "Catch the Wind," about tornado chasers. On cross-examination, Crichton testified that he put his name on an Orwell paper after telling another faculty member what he was doing. "I did not pass it off as my own," said Crichton. He said Orwell got better grades than did. "I was getting C-pluses. George Orwell got a B-minus," Crichton said.

## Sonny Bono's Widow to Run for His House Seat

By Mark Z. Barabak  
Los Angeles Times Service

LOS ANGELES — Mary Bono, the widow of Representative Sonny Bono, has officially declared her candidacy to succeed her husband in Congress, tiptoeing into the contest via a news release.

"Prior to reaching this decision, I had many in-depth discussions with my family and close friends," she said in a seven-paragraph statement. "We all agreed that Sonny would have encouraged me to continue his work. I want to do that."

Bono, making her first try at public

office, is expected to have the Republican field to herself. Her studiously low-key entry into the race was unusual.

Typically, a candidate will hold a news conference in hopes of launching a campaign with a burst of publicity.

But the 36-year-old widow of the celebrity congressman, who died in a Jan. 5 skiing accident that drew international attention, hardly needs to boost her name recognition.

At the same time, by avoiding questions, the political newcomer may have sought to avert the sort of stumbles that marked her late husband's first run for federal office, an unsuccessful 1992

U.S. Senate bid in which he revealed poor grasp of issues.

A family friend who handled Mr. Bono's announcement Thursday said that she wished to duck quackery. "Those things will happen Feb. 2," Mark Matthews, referring to a series of appearances that Bono intends to make that day across the district, stretches from the outskirts of Rivers, California, to the Arizona border. "I qualified and prepared to do this."

On the Democratic side, actor Richard D. White — Pa. Walton of the old TV set — has sent strong signals that he intends to challenge Bono.

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# THE MONEY REPORT

## BRIEF CASE

### If a Slowdown Looms, Keep an Eye on Spin-Offs

High-Yield Analytics Inc., a Chicago investment boutique, has a handful of forthcoming U.S. spin-offs in its sights. With pressure on American corporate profits from an expected slowing of the U.S. economy and the financial crisis in Asia, spin-offs offer investors the possibility of returns in excess of the market, the firm said.

Spin-offs, companies that are cut loose from their parents, attracted widespread attention in the United States last year, mostly because of AT&T Corp.'s high-profile and highly profitable \$23 billion spin-off of Lucent Technologies Inc., its maker of communications equipment and software. Lucent's share price has since more than doubled.

But spin-offs are not guaranteed to be profitable. "Each one requires careful analysis," warned Joseph Cornell, an analyst with High-Yield Analytics. For example, investors have shunned Tricon Global Restaurants, PepsiCo Inc.'s spin-off of its Taco Bell, Kennerly Fried Chicken and Pizza Hut restaurants, because it is weighed down by \$5 billion in debt.

"That scared me," said Mr. Cornell. Tricon shares have slumped to about \$25 from their original \$32. Prospects look better, in his view, for the approaching spin-offs from Whittman Corp., the largest Pepsi bottler in North America. It will officially sever two of its units, Midas Inc., the muffler and auto-repair concern, and Hussman International Inc., a maker of refrigerated display cases. On Jan. 30, Mr. Cornell noted that Midas is struggling, but is a "great brand" that could do better on its own, and Hussman is a leader in its industry.

But he also likes Whittman, the parent, because it will pay off half its debt with cash from the spin-offs, and he suggested, may merge with PepsiCo's bottling business to form a separate company. He also likes Ford Motor Co. and its soon-to-be-independent consumer finance group, Associates First Capital Corp.

"Ford you could buy right now to get the Associates dividend," he said. Then, he predicted, if the automaker also sells off its Hertz car-rental unit, "you're getting Ford on the cheap, and they've got a ton of cash on their balance sheet and a fat dividend."

Another company on Mr. Cornell's "watch list" is Ameritech Corp., the regional Bell telephone company. If regulators decide that it must let competitors use its \$30 billion network at the same prices Ameritech pays, it may well spin it off and become strictly a marketing company, he said.

But investors should not expect instant, Lucnet-like profits, he warned. The share price of a spin-off typically underperforms the overall market for three to six months, then starts to rise, assuming it has positive earnings, and Wall Street begins to follow the company.

A study of 161 spin-offs by Pennsylvania State University showed that they outperform the market by 4.5 percent in the first year, but rise to 25 percent in the second, and 31 percent the third year.

He is optimistic about its performance, too. "If we are right about stock market returns falling somewhere between mid-single digits to low double digits over the next three to five years, then the returns from market-neutral have the potential to be very competitive, with much less risk than the stock market," he said.

Still, he conceded that the key to successful market-neutral investing is carefully matching the long and short portfolios, mitigating not only market risk but also exposure to specific industries, interest-rate fluctuations and other risks.

Newsletters' New Swipe At Critic Is Off the Mark

To hear his enemies talk, one would have to conclude that Mr. Hulbert, a one-time Oxford University scholar who publishes a list of the most- and least-successful investment newsletter writers, was an awful guy.

"I sued him 14 years ago," said Yale Hirsch, editor of Ground Floor, a small-stock investment newsletter. "He has made a lot of blunders but he's unfortunately been Mr. Teflon — nothing seems to stick."

"His mathematics are absurd," adds P.Q. Wall of the P.Q. Wall Forecast. Inspiring the rounds of vitriol about

Mr. Hulbert is his Hulbert Financial Digest, a monthly newsletter run out of Alexandria, Virginia, that evaluates the advice given by investment newsletter writers. He puts together hypothetical portfolios to show how well — or badly — an investor would do by following a newsletter's advice.

Mr. Hulbert's attackers have come up with the same criticisms year after year, but in learning that they were on a list of 1997's worst performers, his foes came up with a unique attack. This time, the critics in some cases gleefully proclaimed that Mr. Hulbert was so dishonest that he was under investigation by the U.S. Securities and Exchange Commission.

The SEC, as is its policy, would not confirm or deny an investigation. Asked if the SEC was investigating him, Mr. Hulbert said, "Of course not."

So what are the newsletter writers talking about? An innocuous reference to Mr. Hulbert, apparently, in one of the letters he follows.

"We have been advised not to use the performance percentages generated by the Hulbert Financial Digest," wrote Al Frank in the Sept. 2 issue of The Prudent Speculator. "The reasoning behind this SEC command is that we do not have work papers supporting said percentages."

Mr. Frank, who was using his No. 1 long-term ranking with Mr. Hulbert in his advertising, was challenged during a routine SEC inspection in a way the SEC frequently challenges registered investment advisers who advertise: Prove how you got those hypothetical gains, or don't use them in your ads.

Because Mr. Hulbert does not routinely give out information from his research, Mr. Frank could not prove to the SEC that an investor would have enjoyed the spectacular gains that Mr. Hulbert attributed to him. So in the view of those letter-writers who scorn him, Mr. Hulbert is "under investigation."

Mr. Frank said that he was incredulous that his words could have been misused this way.

"I never said he was under investigation," he said, adding that he would get out from under Mr. Hulbert's documents that would satisfy the SEC and allow him to resume use of the ads.

(Bloomberg)

Bullish Players Feed Financial Betting Boom

Betting on the financial markets is not for the faint-hearted, but the practice is enjoying a boom, according to Michael Spencer, chairman of London's largest financial bookie, City Index.

The financial bookmaker has an estimated 10,000 risk-loving customers and betting volumes rose 30 percent last year, Mr. Spencer said.

Mr. Spencer said one of the big attractions of City Index for British gamblers was that there is no tax on profits, since they are treated as bets.

And there is no limit to the potential gain or loss that can be made, since the bookmaker trades solely through "spread betting" — or betting on a rise or fall in an index or individual security against the bookies' central price.

If a gambler stakes £10 (\$16.48) on the Financial Times-Stock Exchange index rising above a certain level and he calls the market correctly, the winnings multiply by every point the index rises. Should the index fall, losses mount in the same way.

In "fixed-odds betting," by comparison, a bettor can only ever lose the money that is staked.

"It is quite feasible for customers to win, or indeed lose, hundreds of thousands of pounds with one position, particularly in the financial markets where we've seen massive volatility recently," Mr. Spencer said.

Last month, a City Index client landed a windfall of more than £3 million after staking just £25 on the performance of the world's stock markets.

Mr. Spencer estimates that his firm has paid out about £100 million in total winnings this year.

The bulk of City Index's clients work in London's financial sector. But foreign investors also can play.

The firm offers more than 100 markets to bet on. About 70 percent of business is financial and 30 percent related to sports. City Index's main rival is the smaller, privately owned IG index.

Mr. Spencer said City Index had few institutional clients, because most of them preferred to limit their risks through more formal financial instruments, such as futures and options.

One of the strangest bets City Index has offered recently is the number of currencies likely to be included in the first wave of European economic and monetary union next year.

The time in minutes before the first throw-in of a soccer match is another off-the-wall bet that was offered. But it was withdrawn after one season because it was open to potential manipulation, Mr. Spencer said.

But the majority of clients prefer to stake their money on future movements of the FTSE-100 or the Dow Jones industrial average.

Having established City Index in the British market, Mr. Spencer is seeking to expand the service in Asia and Australia. He has three branches in Australia, although their services are limited to sports betting.

One of Mr. Spencer's pet hopes is to develop gambling on the Internet. With this in mind, he is discussing projects with the British media company Mirror Group PLC. He sees the days of dingy betting shops as numbered.

"Why would you go to a shop," he asked, "when you can place bets by phone in the comfort of your own home?"

(Reuters)

For further information: CONTACT CITY INDEX by telephone at 020 7250 5500, or visit its Web site at [www.cityindex.co.uk](http://www.cityindex.co.uk)

In 1997, Assets Rose In French Mutual Funds

Total assets in French mutual funds rose 2.2 percent last year as investments surged into French and international stock funds.

According to the independent French mutual-fund monitoring company EuroPerformance, assets under management in mutual funds in France rose to 2,040 trillion francs (\$340 billion) in 1997 from 1,997 trillion francs in 1996.

The rise in stock markets around the world boosted investment in equity fund assets by 32.9 percent, to 480 billion francs. Last year, France's benchmark CAC 40 stock index rose 29.50 percent, while the U.S. Dow Jones Industrial Average rose 22.6 percent.

There was no change in assets invested in bond funds in France, at 420 billion francs, while money-market fund assets fell 11 percent, to 996 billion francs. France has the second-largest fund market in the world after the U.S.

"Performance was exceptional in 1997," Baudouin de Brie, chairman of EuroPerformance, said at a conference to present the results. "Overall, there was a wealth of activity."

Last year was the second straight year in which investment in equity funds increased.

(Bloomberg)

Citibank to Offer Japan Dollar-Based Credit Card

Citicorp Card Service Inc., a subsidiary of the U.S. lender Citibank, is planning to introduce a credit card in Japan specifically for purchases made in U.S. dollars, the first such card in the country.

Cardholders will be able to pay for dollar purchases from dollar-denominated accounts at Citibank in Japan. Citibank expects the demand for these services to grow in Japan after rules restricting foreign-currency exchange are lifted in April, giving individuals and companies more incentive to conduct transactions in currencies other than yen.

(Bloomberg)

Correction

The Money Report article in the Jan. 17 editions about international dogs of the Dow strategies contained an error in the German listings. Deutsche Telekom should have been included in place of Deutsche Bank; the performance results, however, were for the latter.

Deutsche Telekom had a total return of 4.77 percent last year, compared with a gain of 47.11 percent in the overall DAX index, which is calculated on a total-return basis.

Ulich Holland, the reader who brought the mistake to our attention, also alerted us to an interesting name he uses for the German dogs: DAXhunde.

## Look Down for Stocks to Grow Up

### 'Unrealized Value' Is the Key to Bottom-Up Investment Strategy

By Digby Lerner

FOR THE uninitiated, the idea of an investment portfolio going bottom up may sound like the aftermath of a nasty stock market crash. In fact, the bottom-up approach is the staple of professional investors worldwide.

It involves picking stocks for reasons specific to particular companies, regardless of the prospects of their sector or market. In other words, no matter how markets are performing, some stocks have more value than others.

Richard Worts, a spokesman for the Bermuda-based GAM Global Asset Management, said that several of GAM's fund managers used the bottom-up philosophy.

"For us, the whole process begins, ironically, by taking a macroeconomic view," he said. "From that, we select countries or sectors we think are worth looking at. After that, rather than taking a broad sweep of stocks, we get a locally based manager to make a bottom-up selection."

The advantage this has over some other philosophies is that it focuses the portfolio on a group of stocks with strong growth potential.

The disadvantage, especially for private investors, is the amount of time and effort needed to research individual stocks, he added. This can be done in several different ways and some methods are less arduous than others.

GAM managers meet corporate executives and tour production units of the companies in which they invest.

"We avoid getting bogged down in most of the statistical material that's available," Mr. Worts said. "What we're looking for are stocks with unrealized value. Traditional value measures tend not to pick that up."

By visiting individual companies, investors get a feel for the quality of management and get a first-hand view of the products and services on offer.

"It's amazing the sort of ideas you

pick up from just touring a factory," he said. "For example, you may see a pile of rusting tubing or some raw material that suggests production is slowing."

What Mr. Worts likes most about bottom-up investing is that it can be applied to any market or sector, regardless of the prevailing investment trend.

"We've been underweight in the Far East for about the last year, but we haven't abandoned it altogether," he said. "Roughly 6 percent of our assets are now invested there, primarily in Japan. By looking for stock that are basically sound, we can insulate ourselves from the gyrations of the market."

The largest portion of GAM funds are invested in Europe. Two of Mr. Worts' current favorites are Telecom Italia SpA, Italy's privatized telecommunications business, and the Swiss pharmaceutical company, Novartis AG, created by the merger of Sandoz and Ciba-Geigy in 1996.

"The Italian market, especially, seems to be throwing up a number of good value stocks at the moment," he said.

For investors with neither the time or expertise to build close relationships with corporate executives, there are alternative bottom-up methods.

Jayesh Maneck, chief executive officer of Maneck Investment in Britain, uses standard value measures to make bottom-up selections. His aim is to invest in businesses that will outperform their market average over the medium and long term.

"You can't get it right all the time, but if 60 percent of our stocks perform well we can still do better than average," he said. He added that bottom-up portfolios tend to concentrate on a smaller number of stocks than those taking a broad view of a market or sector.

"On a bottom-up basis, your 100th stock is rarely as strong as your first, so we stick to around 30 or 40," he said.

The figures he uses to make selections are readily available. The initial selection is made on the basis of earnings growth.

"We look for a history of between

three to five years of above earnings growth," Mr. Maneck said. "On top of that, we want to see projections for the same level of performance over the next couple of years."

This is compared to the firm's average price-to-earnings ratio over the same period. The lower the P/E ratio, the better growth potential it is thought to have.

"None of these factors is much use in isolation and we like to see a P/E figure that is lower than average earnings," he said. But he noted that not all his selection criteria were qualitative.

"Very often there are key factors that set a business apart from its competitors," Mr. Maneck said. "We're especially interested if it has strong cash flow, that sort of thing. It helps limit any possible downside."

His CURRENT favorite stocks are both British. The first, JJB Sports PLC, has growth expectations of up to 40 percent over the next two years, he said.

"Its cash flow is better than its profits and its return on capital is very good," he said. "On top of that, its franchising ability is very strong."

Since picking up on the stock two years ago, its value has gone from £1.60 (\$2.70) to £5.55.

"It's hard to say how high it might go from here, but we certainly expect it to do better than the market average," Mr. Maneck said.

His second choice is Anie Group PLC, which two years ago was a debt-ridden mess. Since then, it has sold off a number of unprofitable businesses and focused on its money-making software activity.

"Thanks to its restructuring," he said, "Anie has climbed from a net debt position to having a cash surplus of more than £40 million." Its stock has been rising, albeit irregularly, since November, when it touched a low of 39.5 pence. On Friday, it traded at 57 pence.

Although Mr. Maneck expects to hold each stock for at least five years, he said it was important to monitor them for adverse changes.

## Fund Shuns Risk but Limits Reward

By Carole Gould

THE CONVENTIONAL wisdom is that only risk-takers can hope to win big in the investing game. But that does not stop market strategists from trying to rake in competitive returns with low risk.

One such strategy, called "market-neutral," has long been used by wealthy investors. Now, thanks to the Taxpayer Relief Act of 1997, U.S. mutual funds can do market-neutral investing. The first one to adopt the strategy is the San Francisco-based Barr Rosenberg market-neutral fund.

"It's wonderfully seductive, like sugar without the calories," said Michael Stolper, who evaluates investment managers for wealthy clients. "But it's terribly difficult to get right."

It is important for investors to remember that market-neutral investing aims to produce steady, moderate gains, not spectacular ones.

"In a bull market, a fund like this won't share in the upside at all," said Paul Pudaite, director of quantitative research for Morningstar Inc., the Chicago-based fund-tracker.

Because investors face the likelihood of heavy taxes while forfeiting high returns, market-neutral is perhaps not the holy grail after all.

Market-neutral investing, which has been around since 1949, when the first hedge fund was set up, gained favor in the late 1980s after the stock market crash of 1987. Investors looked for ways to make money whichever way the market moved, and market-neutral was one answer.

In market-neutral investing, managers invest money in stocks they believe are undervalued and then "neutralize" the risk by shorting an equal amount of stocks that they believe are overvalued — that is selling borrowed shares. The expectation is that the price will fall and the borrowed securities can be repaid with shares that cost less. The cash raised by the short sale is invested in short-term Treasury securities. Simply put, if the stock market rises, the long positions make money and the shorts lose money. When the market falls, the opposite occurs.

IN EITHER CASE, the Treasuries provide a money-market return. If the strategy works perfectly, the long stocks earn more than the shorts lose, adding to the portfolio's profit. The tricky aspect is that it all depends on stock-picking — getting the right longs and the right shorts.

The tax-law change that allowed mutual funds to adopt market-neutral investing was the repeal, effective Jan. 1, of what was known as the short-

short rule. It had prohibited funds from earning more than 30 percent of their income from short-term gains, and all short sales were deemed short-term.

In Barr Rosenberg's fund, management plans to use a computer-based model to rank the universe of small- and mid-capitalization stocks. It will buy the most attractive ones and short the least attractive. A composite of the institutional accounts it manages using similar strategies gained 17.66 percent for the three years that ended on Nov. 30, the company said, and 13.85 percent for five years.

These gains are 12 percentage points and 8 percentage points, respectively, over the yield on three-month Treasury bills.

But the spread is less than 3 percentage points for the 10 years that ended Nov. 30, when the market-neutral accounts gained 8 percent, the company said. And an 8 percent gain looks far less attractive when compared with the Standard and Poor's 500-stock index, which rose 18.7 percent a year on average for the 10 years through November.

Despite the reassuring name, market-neutral funds carry risks. Two fixed-income partnership bills as market-neutral, Granite Partners and Fenchurch Capital Management, fell apart after the bond market sagged in

1994. Investor shares in the Barr Rosenberg fund carry a \$2,500 minimum investment. Fund expenses are expected to run 2.5 percent a year, not high relative to hedge-fund costs but well above the average mutual fund's expense ratio of less than 1.5 percent.

KEN GREGORY, publisher of the No-Load Fund Analyst in San Francisco, is adding substantial stakes, up to 21 percent, in the new fund to his publication's recommended portfolios. "Because the returns from market-neutral are not correlated with stocks or bonds, the investment offers powerful diversification benefits," he wrote in December.

He is optimistic about its performance, too. "If we are right about stock market returns falling somewhere between mid-single digits to low double digits over the next three to five years, then the returns from market-neutral have the potential to be very competitive, with much less risk than the stock market," he said.

Still, he conceded that the key to successful market-neutral investing is carefully matching the long and short portfolios, mitigating not only market risk but also exposure to specific industries, interest-rate fluctuations and other risks.

New York Times Service

## Keebler to Brave IPO Market

KEEBLER FOODS CO. is hoping to work some of its elfin magic on investors. Keebler, the cookie company symbolized by a band of elf bakers inside a hollow tree, is expected to make an initial public offering worth up to \$275 million next week. With the new issues market feeling skittish these days, there may be nothing more reassuring than the debut of this enterprise, which is 145 years old and measures its sales in billions of dollars.

Indeed, the offering, which includes 11.5 million shares priced at \$21 to \$24 each, may be smart as well as fortunate.

Flowers Industries Inc. certainly seems to think so. Flowers, a publicly traded baked goods company in Thomasville, Georgia, is one of the three companies that bought Keebler in a leveraged buyout in 1996. The other two, Artal Luxembourg S.A. and Bernore Ltd., are selling a portion of their shares in the offering. But Flowers will

buy enough of those shares to raise its stake in Keebler to 37 percent from the current 45 percent.

LIKE OTHER INVESTORS, Flowers may be drawn in part by the company's famed names. Millions of American consumers know such Keebler brands as Hydrox chocolate sandwich cookies, Pecan Sandies, Cheez-It and Carr crackers, and Ready Crust frozen pie crusts. The word Keebler is itself widely recognized, too.

Oreo's is a powerful name but it's associated with one product," said Mark S. Basham, a research analyst at Standard & Poor's Corp., referring to Nabisco Brands Inc.'s well-known cookie. "But the Keebler brand has universal recognition. It's not associated with a specific product."

In addition, Keebler, which had 1997 sales of \$1.54 billion through Oct. 4, is the only American cookie and cracker company besides Nabisco with its own national distribution system. This puts

Keebler employees in supermarkets several days a week, which allows them to keep close track of inventory, to identify fast — or slow — selling items and to spruce up displays. Keebler wants to capitalize on these significant advantages by expanding its distribution network to mass merchandisers and discount shopping clubs.

Then there is Keebler's acquisitions strategy: its purchase of Sunshine Biscuits in 1996 is an example. Such takeovers allow Keebler to extend its famous name to new brands and to increase its share of the \$4 billion cookie market, where it now ranks second with 16.6 percent.

Gobbling up other cookie companies also makes fuller use of Keebler's manufacturing capacity, which is running at only 82 percent even after the Sunshine purchase. Given these idle facilities and Keebler's distribution system, such acquisitions can confer their advantages at little cost to the company.

New York Times Service

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MEN'S FASHION / A SPECIAL REPORT

# Tailoring and Sportswear Merge to Make the Classic Cool

By Suzy Menkes

**P**ARIS — When Yohji Yamamoto sent out his entire fall menswear collection worn by women friends — albeit mostly androgynous types like the beanie-wearing former model Ines de la Fressange and the skinnier actress Charlotte Rampling — it marked a fashion moment.

After years of gender bending and role reversal, fashion seems to have reached a balance between the sexes that may be easier to achieve in the wardrobe than in the workplace.

Now men can wear fluffy sweaters and velvet suits as nonchalantly as women can don male tailoring. And with nothing less to prove about how outrageous men's clothes could be, the French fall shows, which run through the weekend, are about discreet luxury and a return to traditional tailoring values as seen through a prism of modern sportswear.

For new generation designers, it is now cool to be classic — providing that the eternal male wardrobe has absorbed evolutionary fashion changes in fabric and case. The result? A revival of tailoring that incorporates the sportswear revolution and the overwhelming "casualization" of fashion. Read comfort fabrics, a super-light construction and athletic details.

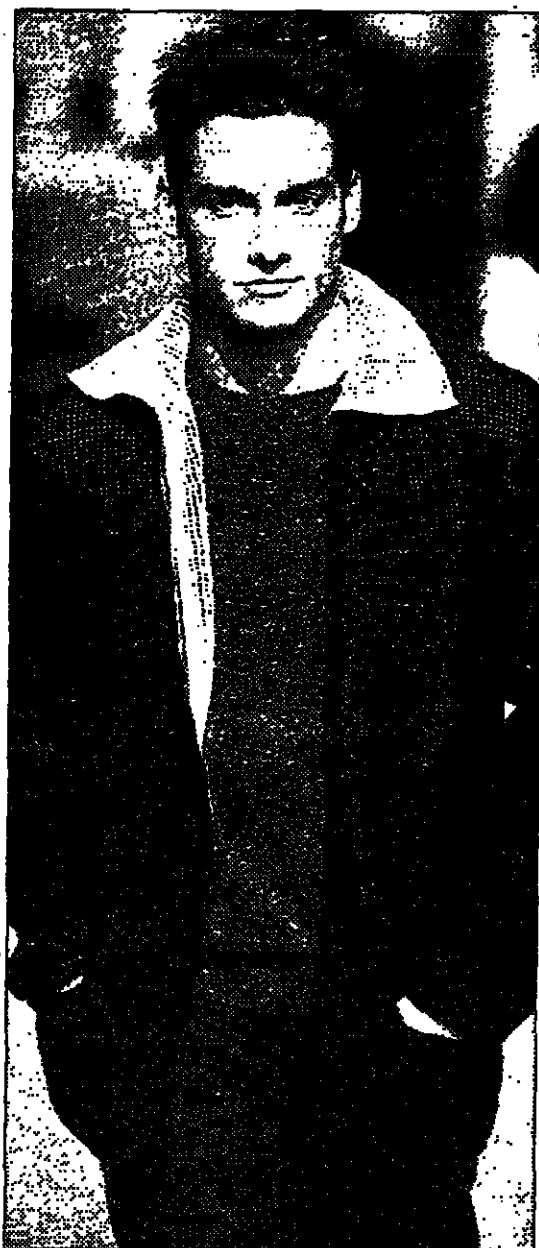
Paul Smith, once a streetwear designer, continued his love affair with the aristocracy that he began last season. Smith grabbed from milord's dressing room the glen checked suit, swankily cut with a single vent at the back, a terracotta tweed jacket and a pair of shrimp-pink cords, a chalk striped city suit and an embroidered velvet evening vest.

Those elements were mixed together to give an insouciant touch to the classics and to create from the traditional a modern-romantic wardrobe. Although the first, courtiered part of the show, with its leafy backdrop, bird-embroidered vests and Duke of Windsor-style tailoring was the strongest, the urban velvet suits and short fitted coats were stylish.

But Smith insisted that seeing the show was only the half of it.

"You have to look inside!" he said, referring to the handmade shirts, the hand-stitched purple silk lining to a black velvet jacket and the ribbon of crimson velvet inside the waistband of Prince of Wales pants — old-style tailoring details that are now cherished.

In his own hard-man fashion, Thierry Mugler was also on the English gentleman track, giving traditional men's suittings a witty spin by using dog-tooth check and herring-bone for sweaters; gray flannel boots completed the total look. Touchy-feely fabrics like chenille



From left, Yohji Yamamoto's big coat and loose tailoring worn by the former model Ines de la Fressange; Hermes's sporty zippered cashmere cardigan with contrast color and flecked sweater with tailored pants, and Paul Smith's mismatched check suit and bird-embroidered velvet vest.

and boiled Shetland softened Mugler's military cut, and moved the line forward in a strong show.

To prove that young designers are into tailoring, the Transylvanian Udo Edling opened his show Friday of sleek modern suits with tailoring patterns drawn on the bodies of his models, jackets made out of the canvas toile or just a pair of gray flannel lapels. Dirk Schoenberger from Cologne gave the traditional a twist by making tailored cargo pants with open pockets and putting thick knits over jackets.

Men's fashion is now about not statements but details — hence Hermes encapsulating discreet luxury by using its legendary silk prints just on the underside of a pocket flap on a sweeping high-waisted coat. Everything in this show was ultra-subtle, from the symphony of grays lighted with a flash of sky blue, primrose yellow or spring green, through the sportswear details: the crisscross underarm gusset on jackets, the leather toggle on the zipper of a cashmere cardigan and the glazed-kid sneakers.

The designer Veronique Nihanian played gracefully with Hermes signatures like butter-soft leather, and if the parade seemed whisper quiet, it was also ultra-classy.

At Lanvin, Dominique Morloti was also into discretion, adding only colors like wine-dreg red and bruised-plum to his palette of grays, chocolate to tobacco browns and beiges — although variety came with interesting textures from felted wools and alpaca through tough leathers and padded cottons. Since modern fashion is in the mix, Lanvin caught

that in gray parka matching the suit underneath as though sport and city had melded into one look. Morloti is strong on outerwear, especially well-proportioned short, sporty coats and the occasional sweep of long.

Just when you thought that the short topcoat, from car coat to knee length, was the height of fashion, the fall collections are coming up with a challenge. At Issey Miyake, the designer Naoki Takizawa gave long coats his best shot, making them modernist in silicone-glazed cotton, as soft as jerseys when

the fabrics were washed in an alkaline solution, or luxurious in cashmere, with funnel necklines. They also came as beige scarf coats with fringing at neck and hem. Those neutral colors in inventive fabrics contrasted with the eye-popping batik prints that opened the show, but worked only when the pattern was reduced to faded dots on a shirt.

Joe Casely-Hayford showed a collection as if, in the British designer's words, a "hidden camera" had filmed tough guys in a public housing project. If you forgot the knuckers (especially in fluffy mohair) and the low-slung pants with flopping front flaps, there were strong tailored pieces. The designer saw double, putting a short sleeved sweater over a long version and using the double shirt as a signature. Casely-Hayford also endorsed the zippered cardigan that is becoming the alternative jacket of the new fall season.

The absence of color, with a predominance of gray, is putting designers with a strong palette out on a limb. Christophe Lemaire handled color well for his close-to-the-body, French school-boy silhouette, playing with boncavaux and purple for a felt coat and its scarf.

When you think of the subtle of Claude Montana's past palette with its tender gradations of tone, his colors seemed out of sync not just with current fashion, but also with his own aesthetic. He showed orange mohair coats, a brown sweater with a pattern of glowing flames and striped or window-pane checked suits in red and orange, although there were a few marginally quieter pieces in beige dog-tooth checks with the new softer shoulder and rounded neckline. And the designer was defiant about his get-out-your-sunglasses colors.

"It's time to wake up with color," Montana said.

Ignore the women models and Yamamoto's show was still appealing. Taking a generous silhouette, he created long coats and his signature square-cut suits, but gave them a spine of over-stitching at the back to emphasize the straight cut. Tailors' busting stitches were used as random decoration.

Modern romantic was also the story in this collection, spelled out in the tactile fabrics, including the furry collars on coats, fleecy jersey jackets, clotted-cream or khaki cottons and damask-woven pattern.

But why those women, of different ages and types, to show the clothes?

"I started by thinking about who is my customer," the designer said backstage. "My customers are not businessmen and I know that many women wear my men's clothes — and it seemed very normal."

SUZY MENKES is fashion editor of the International Herald Tribune.

## That Indefinable Air Of French Male Chic

By Rebecca Voight

**P**ARIS — Haughty and notoriously self-critical, Frenchmen have a love-hate relationship with clothes and they are proud of it. While the English celebrate eccentricity, Italians radiate proud sensuality, and Americans are a clean-cut team, the French manage to be both in and beyond fashion.

Jean Paul Gaultier may put men in skirts, but he's never without his classic blue and white stripe French sailor's sweater. And the chain-smoking characters dressed down in minimalist dark suits and skinny gray sweaters at a Paris gallery opening today wouldn't look out of place in one of Francois Truffaut's New Wave classics.

"I come from a country where nobody dresses up, not even to go to the theater, so France impresses me," said Mathias Vriens, editor in chief of Dutch, the European fashion magazine that is edited in Paris. "A young French boy in a bourgeois navy blue coat and boring flannel trousers can be more intriguing than someone in a pair of screaming orange pants by W&LT."

Fred Sanchez and Fred Bladon, the "sound illustrators" for fashion shows from Jil Sander to Calvin Klein, describe themselves as "hyperclassics." Their choice is a Gallic razor's edge edit: suits by Helmut Lang and Prada, Brooks Brothers shirts, and "Chelsea" boots from the French shoemaker Weston.

This is topped with odd finds like a sky-blue scarf that Bladon recently unearthed in Old England, Paris's out-of-time purveyor of style from across the Channel.

The Paris press attaché Guillaume Chaillet wears clothes to suit his urban life on a bicycle, but he doesn't look like New York City messenger. In khaki chinos from APC and a Saint James turtleneck, he admits he likes being

chic. "I might wear a suit, but without a tie," he adds. "The French love fashion, but they're snobby enough to know how to protect themselves from it."

Seraphin Dupellier, a journalist and director on "Paris Modes," a weekly fashion television program, thinks French designers have lost touch with Frenchmen. "The Italians and the Americans have a strong sense of marketing. They always design with a customer in mind. In France, we have such a high opinion of creativity, the idea of who will wear the clothes often gets lost."

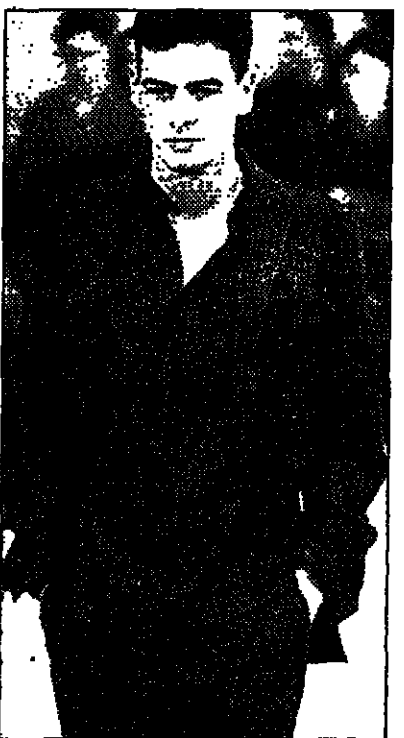
Reviving France's men's fashion identity is a focus for Hedi Slimane, designer at Yves Saint Laurent. "It's in the shoulders," says Slimane of the classic tailoring in the new collection inspired by the period around 1969 when Saint Laurent designed the menswear himself. "I'm trying to get back to a Saint-Germain-des-Pres attitude like a YSL duffle coat over a sweater."

The designer Christophe Lemaire is into the same period. He likes the rumpled chic of crooners like Serge Gainsbourg or Jacques Dutronc. "France hasn't had a clear style for the past 20 years," he laments. "Men on the street here look like traveling salesmen."

When he wants something new, Edouard Lehmman, the French photo editor who works with Mario Testino, visits the Parisian tailor Francesco Rovito, whose style hasn't budged since he made suits for Salvador Dali.

The "old is better" point of view rules in French cinema, too. The costume designer Olivier Beriot, who worked on Robert Altman's "Pret-a-Porter," might mix Agnes B. and secondhand clothes from Paris's Guerrisold for a film set in modern France.

In real life, the actor and documentary director Nils Tavernier goes for "non-stop jackets — the kind you can wear with anything." Tavernier says he is sensitive to clothes, but admits his own



Christophe Lemaire's take on French chic with a pin-stripe suit.

wardrobe is a limited mix of sneakers, biker jackets and pieces from old films. "I used to get dressed at the flea market for 20 francs," says the comic actor Elie Semoun. "I've been a mix of zazzou, ska and punk, but I've never been out of a suit."

The interior designer Jean-Louis Riccardi, currently renovating Paris's Riccardi, says the French can be the worst-dressed men in the world. "Change is not a way of life for the French, that's their weakness, but also their strength," he says. "It's a tradition he feels at home with. 'I like strict clothes,' he adds, 'My ideal is the priesthood.'"

The architect Christian Biecher agrees. "French style at its best is the art of turning your back on fashion."

REBECCA VOIGHT is a freelance journalist based in Paris.

## Dusting Off the British Classics Venerable Brands Go Modern With Help From U.S.

By Roger Tredre

**L**ONDON — They never show on the runways. The fashion revolution of the 1980s passed them by. Their sales, led by classic English men's tailoring and coats, have ticked over pleasantly but unspectacularly.

It has been a long slumber, but British classic clothing companies are waking up at last.

The most venerable brands in Britain — Burberrys, Austin Reed, Alfred Dunhill, Daks-Simpson, Aquascutum — want a bigger slice of the fashion action.

Austin Reed leads the charge this month with the relaunch of its 98-year-old brand. The top-to-bottom spring cleaning marks a head-on bid for a new, younger customer. The strongest sign of their intent? The tennis star Greg Rusedski has been signed up for an advertising campaign.

Next off the block will be Burberrys, which last fall head-hunted the president of Saks Fifth Avenue, Rose Marie Bravo, to lead what is being billed as the most radical overhaul in the company's history.

Bravo, who describes Burberrys as a "world-class luxury brand," is keeping her plans under wraps. But the launch of an upfront new advertising campaign next month, photographed by Mario Testino and featuring the model Stella Tennant, gives a strong hint that Burberrys, with sales of £270 million (\$432 million) last year, is heading for fashion with a capital F.

History has proved both burden and blessing to Britain's classic companies. "British companies have been clogged up by their past," said Jeremy Franks, chief executive of Daks-Simpson. "The successes of the past should be a platform for the future."

Names such as Daks-Simpson and Austin Reed are making proud play of one of their strongest selling points — men's tailoring made in Britain. Other companies which have moved away from their roots in manufacturing terms are refocusing on their Britishness. Alfred Dunhill, which appointed Hackett founder Ashley Lloyd-Jennings as creative director last summer, has launched a capsule collection titled "Made in England."

But in the modern fashion world, it is no longer enough to be simply classic. The serious global players have to offer something more: a sense of progression, of engagement with the modern fashion world.

Daks-Simpson, which was acquired by the Japanese licensee Sankyo Seiko in 1991, is expanding its sportswear offer with the launch of a chino collection for next fall.

Franks, together with other British executives, admits there are lessons to be learned from the Americans — not least from Ralph Lauren who turned British style into an American success story.

At Burberrys, Bravo is assembling a galaxy of American retailing talent. In recent weeks, she has brought in J. Stanley Tucker from Saks Fifth Avenue to run menswear, Michele Smith from Barneys to run womenswear, and Robin Marino, formerly of Donna Karan and Ralph Lauren, to run accessories.

AUSTIN Reed is also learning from the Americans. Key innovations include new lines Reed Men and Sport Reed, a move into sportswear and the bridge

from the old stiff-upper-lip Austin Reed tailoring.

The changes at Austin Reed amount to a rebirth, argued Roger Jennings, retail managing director. "We've moved away from traditional British to modern British. We're much more in line with designer brands in styling and image, but not at the same price points."

Austin Reed has also set up a fully integrated design studio, now initiating styles and fabrics rather than operating through a team of buyers.

**T**HE American Chris Pendleton, director of merchandising and retail at Aquascutum, says the American approach to merchandising can benefit by "dusting off" the British way of doing business.

Pendleton's approach at Aquascutum is less radical than the plans for Austin Reed and Burberrys. Aquascutum tested the waters with a more fashion-forward product in the mid-1990s with disappointing results. The chief executive, James Pow, subsequently left to be replaced by Jiro Tanaka. (Aquascutum was bought in 1990 by Renown, a leading Japanese manufacturer.)

The revised Aquascutum approach is described by Pendleton as "a redefinition and update of classic clothing with the focus on coats and tailoring." Aquascutum also has plans for a high-speed advertising campaign from March to put the brand back on the fashion map.

No one is pretending these historic brands can "do a Gucci" overnight. But, at long last, as the millennium comes to a close, a start has been made.

And who knows? Maybe someday we'll see them on the runway.

ROGER TREDRE is features writer for The Observer.

## At Florence Fair, Soft Natural Fabrics Define 'Minimalist Sobriety'

By Lucie Muir

**F**LORENCE — Just days before the swanky menswear collections in Milan, Italian apparel and accessories designers unveiled their take on fall/winter 1998-99 at the prestigious menswear show Pitti Uomo in Florence.

While Milan captured the short-term trends from top-notch designers, Pitti Uomo gave a long-term vision of menswear from 632 clothing and textile manufacturers in the medium to high-end market niche.

Over the four-day show, the focus was on

luscious fabrics, including featherlight wools, baby alpaca, slippery velvets and, above all, cashmere, which made the news on everything right down to underwear.

To get the right mood for the season's soft tailored suits think Cary Grant, Humphrey Bogart and the most dapper of English country gentlemen circa 1940. While for resilient outerwear looks in "cooked" soft-boiled wool, moleskin, thick-cut corduroy, big knits and warm tweeds, think Brad Pitt in "Seven Days in Tibet."

The great outdoors proved inspirational at Tuscan Square which launched its first men's apparel line. The designer Pino Luongo used "Casentino" wool, a boiled wool worn by Tuscan

farmers at the turn of the century, and updated it on jackets, shirts, vests and even shoes.

"The idea is to bring a little rusticity to refined styles and show that traditional fabrics can be extremely modern with the right cut and color," said Luongo. As well as the nubby wools, Tuscan Square combined corduroy sports jackets with moleskin pants and loden vests. All were matched by earthy shades of olive green, clay, smoke and berry.

Slaying outdoors, Canali, Hollywood's favorite suit maker, contrasted wool and cotton on sleeves and hoods in its new outerwear collection. As to the importance of next season's natural fabrics, the company's public relations

official, Elisabetta Canali, said, "The days of experimenting with technical fabrics are over. Now there's a minimalist sobriety in the shape and cut of men's clothing and, even though the fabrics may seem simple, they are extremely precious."

Marzotto, the textile and apparel giant, unveiled soft, loose-fitting corduroy jackets with a Prince of Wales check to its Principe line, while casual tweed suits and Shetland wool knits came center-stage in its trendy DVO line.

Another leading textile and clothing name, Ermenegildo Zegna, showed lightweight anoraks made with its trade mark fabric Microtène. The peach-skin hand of this natural cloth makes act-

ivevew waterproof. Zegna was among those to deconstruct and take linings out from jackets to give minimal weights and shapes. In a work of tailored engineering, it presented the edge-cut *caban*, in a weightless wool flannel, which took shape on the body.

Understated and pricey said it all in Valentino's floor-length alpaca overcoats, Maria Sirtini's cashmere leisure suits, and Mondo di Marco's cashmere jeans. Even ties are set to be luxurious in the finest-gauge cashmere, flannel and wool.

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